For the year ended March 31, 2002

SHARP

ANNUAL REPORT 2002

Corporate Ethos

Sharp's business creed is based on the principles of "Sincerity and Creativity." Our aim is to inspire all our daily work with these principles so that we can earn the appreciation and satisfaction of people everywhere, and thereby make a valuable contribution to society. Our corporate philosophy expresses our desire to grow in mutual prosperity with all stakeholders in the business, including shareholders, business partners, and employees.

Sharp regards the distribution of profits to shareholders as one of the most important issues facing management. Based on the concept of maintaining a stable dividend, and always taking into general account our business performance and financial condition, we strive to return profits to shareholders in the form of increasing dividends or stock splits. We used capital reserves to purchase and retire treasury stocks and are further planning to purchase outstanding shares to hold these as treasury stocks for the purpose of increasing return on shareholders' equity and building shareholder value. We use internal reserve funds primarily to provide for facility investment in sectors with high potential growth; to promote the development of original products and proprietary device technologies; to finance overseas development; and to support our environmental protection actions. We also place cash flow management at the center of our business practices. In all these respects, we work constantly to meet the highest expectations of shareholders.

CONTENTS

Disclaimer Regarding Future Plans and Forecasts

This annual report contains certain statements describing Sharp's future plans, strategies and performance forecasts. These statements are not based on historical fact, but rather reflect management's beliefs based on the current information available. The plans, strategies and performance forecasts are subject to risk and uncertainty associated with factors such as economic trends, changes in supply and demand, increased competition, exchange rate fluctuations, and changes to taxation law and other regulations. Actual performance may differ from the forecasts supplied.

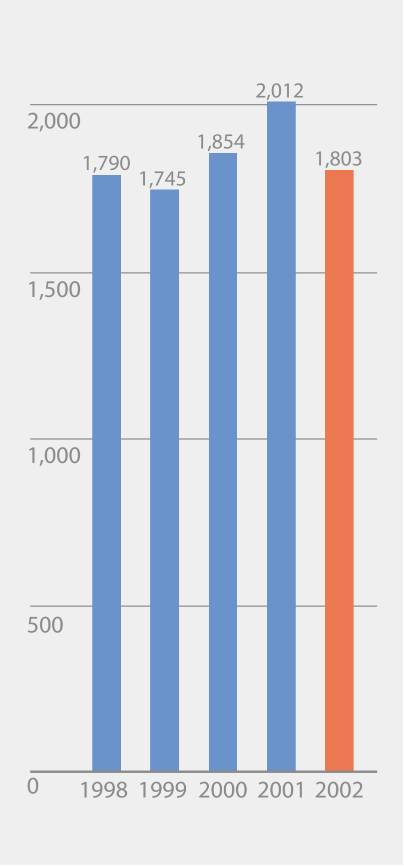
FINANCIAL HIGHLIGHTS

Sharp Corporation and Consolidated Subsidiaries
Years ended March 31

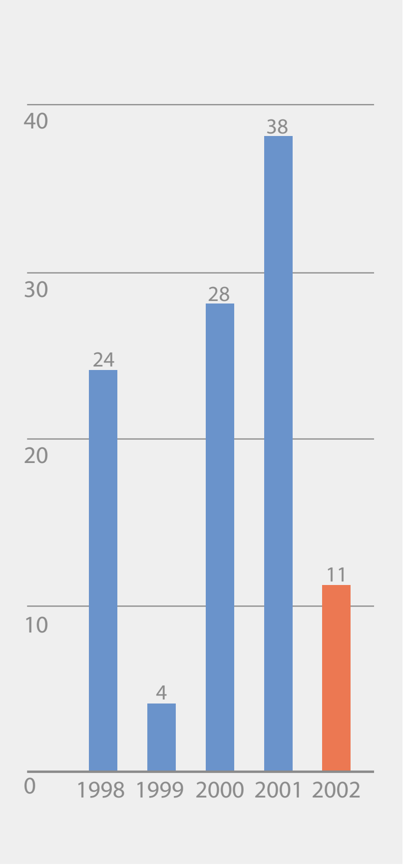
	Yen (millions)					U.S. Dollars (thousands)
	1998	1999	2000	2001	**2002**	**2002**
Net Sales	¥1,790,542	¥1,745,537	¥1,854,774	¥2,012,858	**¥1,803,798**	**$13,665,136**
Net Income	24,788	4,631	28,130	38,527	**11,311**	**85,689**
Net Income per Share of Common Stock (yen and U.S. dollars)	22.00	4.11	24.97	34.20	**10.10**	**0.08**
Cash Dividends per Share of Common Stock (yen and U.S. dollars)	12.00	12.00	12.00	13.00	**14.00**	**0.11**
Shareholders' Equity	953,327	944,339	896,618	943,505	**926,856**	**7,021,637**
Total Assets	2,084,203	2,021,886	1,922,794	2,003,641	**1,966,909**	**14,900,826**
Number of Shares Outstanding (thousands of shares)	1,126,499	1,126,525	1,126,577	1,126,647	**1,110,598**	—
Number of Employees (Sharp Corporation and Consolidated Subsidiaries)	47,981	48,820	49,748	49,101	**46,518**	—

(Notes) 1. Translation into U.S. dollar figures is based on ¥132=U.S. $1, the approximate exchange rate prevailing on March 31, 2002. All dollar figures herein refer to U.S. currency.
2. The computation of net income per share is based on the weighted average number of shares of common stock outstanding during each fiscal year.
3. Number of shares outstanding is net of treasury stock.
4. The figures for 2000 in this section and financial section of this report have been restated to conform with the 2001 and 2002 presentations concerning foreign currency translation adjustments under the revised Accounting Standard for Foreign Currency Transactions effective April 1, 2000.

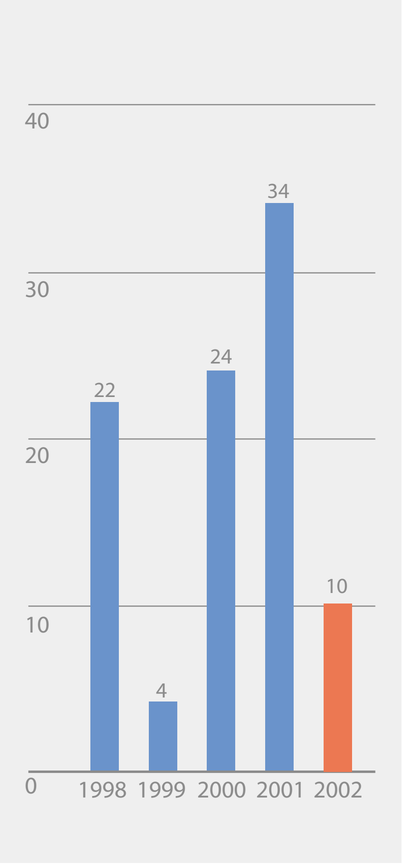
Net Sales (billions of yen)



Net Income (billions of yen)



Net Income per Share (yen)



A Message to Our Shareholders

President
Katsuhiko Machida

Review of Fiscal 2001

Extremely harsh economic conditions prevailed in Japan in the fiscal year that ended in March 2002. Consumer spending stagnated amid rising unemployment and income deterioration, while capital investment fell. Overseas, economies in America, Europe and Asia entered a downturn. The recession deepened as terrorists struck on American soil. Although signs of recovery began to emerge in the United States toward the end of the year, the overall economic environment remained unremittingly poor, at a historic nadir.

We responded to these testing conditions by returning to our roots as a manufacturer dedicated to making a contribution to society through the creation of valuable products. We redoubled efforts to create one-of-a-kind products applicable to modern needs and to develop the original electronic device technology behind such advances. Examples of one-of-a-kind products that we marketed aggressively during fiscal 2001 included the following: our AQUOS range of LCD color televisions; 1-bit digital audio products, which offer super-high-fidelity sound reproduction; a range of ultra-thin-profile, super-lightweight notebook computers; and mobile phones equipped with TFT LCDs and digital cameras.

In the electronic components field, we accelerated development of devices such as wide-viewing-angle, high-response-speed ASV LCDs and reflective LCDs that boast ultra-low power consumption. We also made progress in expanding our business in areas such as high-end CMOS imagers for mobile phones and solar cells.

The decline in consumer spending in Japan was the primary factor depressing our domestic sales, which fell 14.4% year on year to ¥983.6 billion. The global economic slowdown also impacted our overseas sales, which declined 5.0% to ¥820.1 billion. Total consolidated net sales declined 10.4% to ¥1,803.7 billion. Operating income fell 30.5% year on year to ¥73.5 billion. Reflecting a steep decline in the Japanese stock market during fiscal 2001, we posted losses related to the sales and valuation of investment securities, principally banking stocks. This contributed to a 70.6% fall in net income to ¥11.3 billion.

Outlook & Strategic Priorities for Fiscal 2002

Amid growing fears that the economy in Japan may sink further into a deflationary spiral, projections about when the business may start to show signs of a turnaround remain unclear. The economy in the United States, which tends to have a major effect on the rest of the world, was hard hit by a lack of trust in corporations due to various negative accounting calamities, and by worries over possible terrorist attacks, causing share prices and the value of the dollar to drop sharply. The adverse effects of this reverberated throughout Europe and Asia, laying the grounds for a far from optimistic outlook in both domestic and overseas markets.

Global expansion of Consumer/Information Products Business and enhancement of brand value

We aim to expand our presence in global markets with our improved line-up of LCD color televisions. We are constructing a state-of-the-art manufacturing plant in Kameyama, Mie Prefecture, for the integrated production of large LCD color TVs. We are also expanding our mobile phone business through the launch of new, next-generation handsets as well as developing businesses both in Japan and Western markets. In home appliances, we are generating fresh growth by moving into higher value-added market segments with original products based on our unique technologies such as plasma cluster ion technology. Our aim is to create innovative, one-of-a-kind products that meet the latest needs, thereby boosting the value represented by the SHARP brand.

Strengthen development of original electronic components

In our LCD business, our objective is to strengthen our competitiveness in all areas. Besides establishing unique proprietary LCD technologies that our competitors cannot match, we are also developing our own production technologies and pursuing an aggressive patent strategy. In System LCDs, an area with particular potential, we will begin mass-production at our Tenri Plant, and we are building the Mie No. 3 Plant in anticipation of rising future demand. In our IC and electronic component business, we are speeding up the process of refocus and consolidation so that we can fortify development of original components in growth segments. Finally, we continue to build on our leading presence in the global market for electronic components such as photovoltaic power systems. As environmental concerns increase worldwide, this is another area where we expect growth.

Environmental management plus heightened product quality and safety

Our implementation of environmental management focus promises to have a positive impact on global environmental conservation. Besides working to lower the environmental impact of our corporate activities and raise the efficiency with which we use resources, we are also engaged in the development of products that can create energy and contribute to better conservation of resources or energy. Improved product quality and safety is another important goal as we try constantly to raise customer satisfaction.

Personnel system to boost productivity and competitiveness

We are committed to the development of our employees, training the potential leaders of tomorrow and implementing programs to raise their current skill level as well as improve their versatility. We are moving ahead with planned reforms to our employee remuneration system, whose full-scale implementation will put us in line with new labor market trends. These efforts promise to boost both the abilities and dynamism of our employees.

Enhancing Corporate Value

We use return on assets (ROA), return on equity (ROE), and free cash flow as our three principal financial performance indicators, aiming to generate continual improvements in the value of the company in terms of profitability, shareholder value, and the efficiency of our capital utilization. We are devoting increased management resources to the steady implementation of our strategy to develop original, one-of-a-kind products—a policy we believe will enable us to improve financial indicators. In addition, we plan to make further progress with our business restructuring initiatives through an effectiveness evaluation of each business division in terms of profitability and return on capital employed, using a measure called PCC, or profit after capital costs (post-tax operating income less the cost of invested capital).

In closing, we ask all our shareholders to continue to give us their support.

July 2002

President
Katsuhiko Machida

Aiming for Higher Growth

Four Key Business Domains, Nine Business Areas of Strategic Focus

Sustained growth demands ongoing structural business reform to respond to external change. To promote such reform, Sharp first narrowed its focus to four key business domains to define the general direction that reform would take. Next, within these four domains, Sharp selected nine business areas of strategic focus in which the company could maximally leverage its competitive advantage. Sharp prioritizes investment resources within these areas.

The Four Key Business Domains

These business domains represent those sectors with the greatest future growth potential for Sharp. Their delineation clearly defines the direction that business reform will take.

1. Entertainment & Communication

Sharp aims to create products with original features that entertain customers, grabbing them emotionally, or that deliver rich, vivid communication possibilities. In doing so, Sharp makes use of its advanced technical expertise in the development of one-of-a-kind LCDs, high-quality AV, compact and lightweight products.

In a separate initiative within this domain, Sharp's "Digital New Life" concept aims to realize a fusion of entertainment and communication in innovative, network products, based on core broadband and wireless technologies.

2. Eco-Life

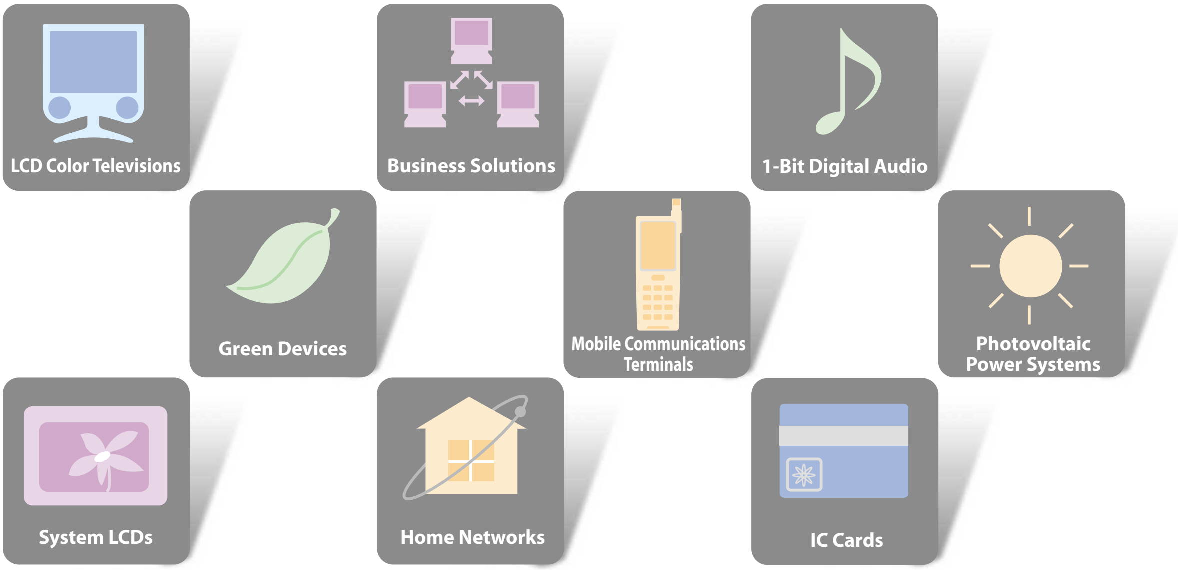
A key objective of 21st-century society is the creation of secure, healthy leisure and living styles that are compatible with the global environment. Using its expertise in areas such as plasma cluster ion and vacuum ultrasonic washing technologies, Sharp aims to shift its product mix from traditional "white goods" to the more eco-friendly category of "green goods." The global development of Sharp's photovoltaic power systems business is another aspect of this drive to contribute to the realization of the "Eco-Life" concept.

3. Business Solutions

Besides hardware, Sharp is focused on the development of a greater presence in high-value-added business solutions, including software, consulting and other services. Building on its systems equipment business, such as POS terminals, Sharp is developing its original data-processing technology and advanced devices, creating novel solutions that make use of such products.

4. Next-Generation Electronic Components

Sharp's focused development of next-generation electronic components aims to take the competitive edge and advanced technology embodied in its one-of-a-kind products to a higher level in the realization of strategic product concepts such as "Digital New Life" and "Eco-Life."



The Nine Business Areas of Strategic Focus

These areas represent those business sectors where Sharp possesses a distinct competitive edge that it seeks to leverage.

LCD Color Televisions	Sharp seeks to offer new applications for its LCD color televisions by adding broadband and network capabilities to its range of lightweight, thin-profile products.
1-Bit Digital Audio	Besides developing its 1-bit digital audio business globally, Sharp strives to extend the application of 1-bit technology to new non-audio product areas, such as video, information and communications equipment.
Home Networks	Sharp is developing original products to supply prospective areas of demand stemming from the ongoing fusion of broadcasting and communications, and the spread of broadband. This business area also includes the system support and other services associated with the construction of home networks.
Mobile Communications Terminals	Alongside the development of mobile phones designed for next-generation services, Sharp is strengthening its alliances with overseas carriers and working to construct highly effective development, sales and customer service operations that target the global market.
Green Devices	In order to expand its “green devices” business, Sharp is developing new products incorporating such devices as well as promoting its original "green devices" in other business sectors.
Photovoltaic Power Systems	Amid rising environmental concerns worldwide, Sharp seeks to develop its photovoltaic power systems business globally.
Business Solutions	Sharp aims to open up markets for products and services that provide novel applications through the combination of original hardware and devices with unique applications and technical expertise.
IC Cards	IC cards, which utilize Sharp’s original security-related functions, are positioned to be one of the key devices in a networked society, offering applications in areas as diverse as finance, traffic control, education and medical service.
System LCDs	System LCDs promise to be a key component as ubiquitous networks proliferate. Sharp aims to expand its System LCD business in this promising area.

Consumer/Information Products

Audio-Visual and Communication Equipment

Fiscal 2001 Results

Although demand for LCD camcorders and facsimiles proved sluggish, steady sales of LCD color televisions and mobile phones equipped with digital cameras helped sales increase by 2.9% year on year to ¥688.4 billion.

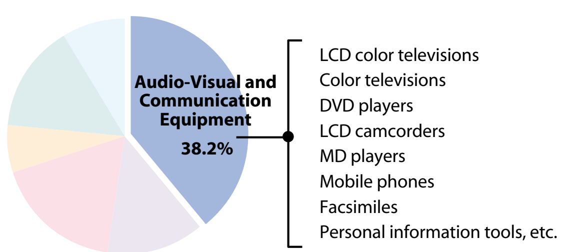
Strategies for Fiscal 2002

Sharp continues to extend its line-up of LCD color televisions to target a wide variety of users. Besides home-theater-style models featuring proprietary 1-bit audio technology and high-fidelity models equipped with 2.1-channel sound systems, the range also includes easily portable mobile models and large models with near-40-inch screens. Sharp is responding to buoyant demand for LCD color televisions with the construction of a new, state-of-the-art manufacturing plant in Kameyama, Mie Prefecture, capable of integrated production, from LCD displays to final assembly of televisions.

Sharp's 1-bit audio technology is based on proprietary digital signal encoding technology that enables the faithful reproduction of audio frequencies. Besides outstanding sound quality, this new technology is energy-efficient and helps to conserve space. Sharp plans to complete the incorporation of this technology into its entire range of audio equipment in fiscal 2002. The technology also has many exciting applications in video, communications and information equipment, which Sharp is developing aggressively in conjunction with a consortium of academic and commercial business partners. This consortium continues to seek new partners to accelerate the promotion of the technology as a global standard.

In mobile phones, Sharp plans to expand its business in fiscal 2002 through the faster development and introduction of PDC terminals with advanced functions and next-generation mobile phone models. In overseas markets, the company has already commenced shipments of its first cdmaOne mobile phones, fitted with a color LCD screen and compatible with the BREW protocol, for the North American market. In Europe, Sharp plans to launch mobile phones compatible with the GSM and GPRS protocols, including models fitted with color LCD screens and digital cameras. Strategic expansion continues on all these fronts as Sharp seeks to differentiate its products relative to competitor models within high-value-added product segments, based on the technical strengths that the company has developed in key devices such as LCDs and flash memory, as well as CCD and CMOS imagers.

Fiscal 2001 sales by product category



AQUOS LCD color television
Slim, light, and offering exceptional picture and sound quality, the AQUOS range boasts elegant designs. It is also designed to be eco-friendly.

1-bit digital audio system
High-resolution 2.8MHz sound from the 1-bit digital amplifier in this system makes you feel you are at a live event.

Mobile phone
The advanced TFT LCD screen in this mobile phone can display up to 16.7 million colors. An SD memory card adds to the fun that the phone provides.

Home Appliances

Fiscal 2001 Results

Sharp continued to expand its line-up of original products, which include air conditioners, air purifiers and refrigerators equipped with plasma cluster ion generating systems that quickly neutralize unpleasant odors and airborne molds, together with fully automatic washing machines that feature an original ultrasonic vacuum washing mechanism. Demand slackened relative to the previous year in a reflexive fall following the last-minute rush to purchase appliances prior to the implementation of electrical appliance recycling legislation in Japan in early 2001. Combined with the effects of a mild winter, this resulted in reduced sales, which fell 6.6% to ¥236.3 billion.

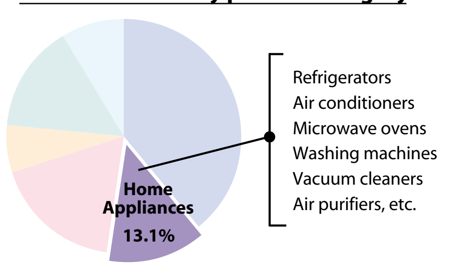
Srategies for Fiscal 2002

Although white goods are traditionally believed to be a mature business sector, Sharp is working to generate fresh growth through the development of revolutionary new technologies. With environmental and health concerns rising, and with society undergoing change as the population ages, Sharp aims to develop its presence in the home appliances market through the development of eco-friendly "green devices" that offer new added value. Specific technological advances developed by Sharp include plasma cluster ion technology, vacuum ultrasonic washing technology, and cyclonic dust-suction technology. The company plans to improve its range of "green devices" that incorporate such advances.

Within these home appliances, including air conditioners, refrigerators and air purifiers, Sharp is raising the proportion of plasma cluster ion products. Sharp launched a plasma cluster ion refrigerator in China in November 2001. From 2002, the company will start to introduce air conditioners fitted with plasma cluster ion technology in all markets to boost international sales.

Sharp is also seeking to extend the benefits of this technology by licensing plasma cluster ion units to manufacturers of sanitary-related products. Other potential areas of expansion include commercial air conditioning units in offices, factories, hospitals and other large buildings, as well as car air-conditioning units. Such moves promise to boost earnings from Sharp's home appliance business.

Fiscal 2001 sales by product category



Plasma cluster ion air conditioner
The plasma cluster ion cleaning mechanism can purify an entire room.

Plasma cluster ion refrigerator
The plasma cluster ion mechanism rids the interior of the refrigerator of any airborne molds.

Fully automatic vacuum ultrasonic washing machine
Ultrasonic vibrations help shift stubborn stains by ensuring that the detergent penetrates between textile fibers.

Information Equipment

Fiscal 2001 Results

Although digital copier/printers and LCD color monitors posted healthy growth, the global slump in demand for IT equipment had a negative impact on sales of mainstay personal computers. Total sales fell 3.5% year on year to ¥349.2 billion.

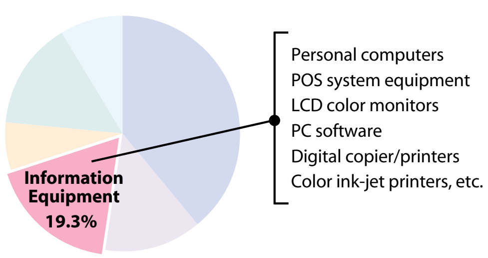
Strategies for Fiscal 2002

In personal computers, Sharp aims to expand in mobile PCs designed for the new broadband age. It is investing in the development of models that, in addition to a thin profile, light weight and long battery life, have wireless communication capabilities through wireless LAN connections.

LCD color monitors are another segment with sustained high growth potential. Sharp aims to capture both ends of this market by developing high-value-added monitors with leading edge technology, as well as standard models designed for the mass market.

In digital copier/printers, Sharp is striving to expand its document imaging business through the introduction of new high-speed models with networking capabilities. The company has also developed security solutions, including a data erasure system that helps to prevent the leakage of any sensitive data from digital copier/printers. Future growth will revolve around moves to strengthen the company's presence in such one-of-a-kind solutions.

Fiscal 2001 sales by product category



Mobile notebook PC
Thin, durable and loaded with advanced operating features, this notebook PC is also broadband-capable, thanks to its wireless LAN capabilities.

LCD color monitor
Offers rich colors and ultra-fine gradation in addition to wide-viewing-angle and high-response-speed.

Full-color digital color copier/printer
Capable of printing and copying at 28ppm, this speedy copier/printer lends an elegant new style to any business.

Electronic Components

ICs

Fiscal 2001 Results

Although sales of LSIs for LCDs started to increase towards the end of fiscal 2001, sales of flash memory suffered amid a drop-off in demand for mobile phones and a plunge in prices. Total sales fell 35.7% year on year to ¥116.0 billion.

Strategies for Fiscal 2002

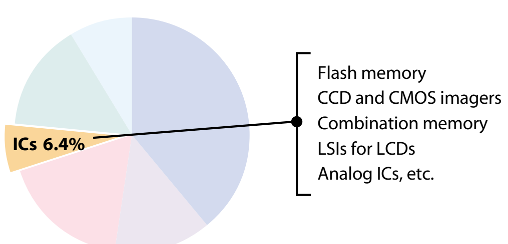
The ongoing process of refocus and consolidation within Sharp's IC business has resulted in a policy to concentrate resources in four key segments–flash memory, CCD and CMOS imagers, LSIs for LCDs, and analog ICs. Sharp is also working to make the most effective use of resources by advancing cooperative efforts with powerful internal and external business partners. Outsourcing is helping to boost production capabilities, while joint development programs are enabling Sharp to establish a presence in advanced technical areas.

Going forward, the company's focus is on applying its specialized mounting technology in each of these four areas to create original devices that can contribute to mobile equipment with high-level functions or to more highly miniaturized products.

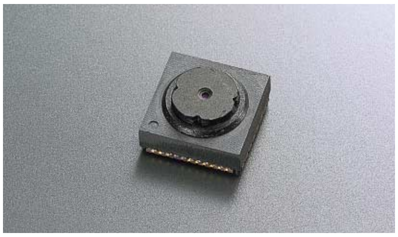
In flash memory, Sharp aims to construct its business along lines that are less susceptible to the market effects of economic fluctuations. Besides upgrading cost competitiveness through more intricate design rules, Sharp is also expanding its presence in high-capacity combination memory through the development of stacked CSPs (chip size packages). Flash memory embedded LSIs, which have multiple applications in IC cards, are another area where demand is projected to expand.

In CCD and CMOS imagers, Sharp has boosted its development efforts to create compact camera modules for the growing market in mobile phones equipped with digital cameras. Using original Sharp technology, these modules combine the image sensor, digital signal processor and lens in a single package.

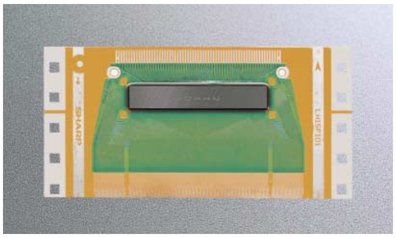
Fiscal 2001 sales by product category



4-chip stacked CSP combination memory
Sharp is the first company in the world to mass-produce the industry's smallest, highest-capacity stacked CSP that offers ultra-high access speeds. It has applications in compact, high-performance mobile equipment.



Compact CMOS camera module
Featuring the smallest CMOS imager in the industry, this module is well suited for inputting images into mobile equipment, thereby expanding the possibilities for visual communications while on the move.



Single-chip twin-drive LCD driver
By using a single chip, this LCD driver can control image display on both screens (the main LCD and a sub-screen) of the latest clam-shell type mobile phone models.

Fiscal 2001 Results

Sharp continued to pursue the aggressive development of one-of-a-kind LCDs. Sales in the first half of fiscal 2001 declined amid lower prices for large TFT LCDs and a drop-off in demand for mobile phones. Although demand for LCD monitors and LCD color televisions expanded towards the end of fiscal 2001, and prices for large TFT LCDs also recovered, these effects were insufficient to compensate for the first-half performance. Total sales fell 30.2% year on year to ¥261.2 billion.

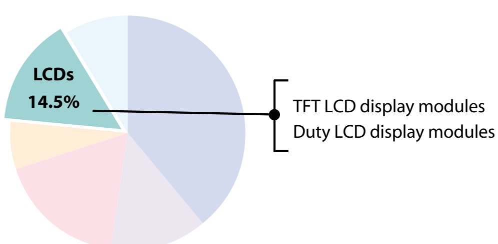
Strategies for Fiscal 2002

Capacity utilization at Sharp's main Mie No. 2 Plant rose to 100% in February 2002 to keep up with strongly rising demand for large TFT LCDs. The company plans to raise capacity at this plant in fiscal 2002 to accommodate further demand growth. To differentiate itself from competitors, Sharp continues to raise the sales proportion of its original ASV LCDs that offer wide-viewing-angle and high-response-speed.

In line with surging demand for large TFT LCDs, several manufacturers are shifting production away from small and medium LCDs. Sharp expects this trend to result once more in a tighter supply-demand balance in the small and medium LCD market segment. Moreover, with mobile phone LCD screens moving over to color not just in Japan but also in all international markets, the company projects rising demand for small and medium color LCDs. Based on its technological edge in reflective and advanced TFT LCDs in this segment, Sharp continues to strive to differentiate its products.

Fiscal 2002 is also positioned to be the year that Sharp's System LCD business gets fully underway. The central element of its next-generation LCD strategy, System LCDs use Sharp's proprietary CG silicon technology to realize ultra-high resolution. System LCDs place peripheral ICs and related elements onto the same glass substrate as the main LCD panel, in an integrated system. Using this revolutionary breakthrough technology, Sharp plans to commence mass-production of small and medium-size units suitable for mobile applications, where the relative cost advantages conferred by the new technology are especially high. Full-scale production is due to begin on a dedicated line at the Tenri Plant in October 2002. To cope with the projected swift rise in demand, Sharp has also started the construction of the Mie No. 3 Plant, with a target date for commencement of operations of October 2003.

Fiscal 2001 sales by product category



Advanced TFT LCD
This display can switch from a reflective daylight mode that does not use backlighting to a transparent mode, which uses backlighting to illuminate the screen in dim surroundings.

System LCD (Application example)
Mobile phone designed to receive terrestrial digital broadcasting services
The display provides high-definition TV-quality images from terrestrial digital broadcasting signals.

System LCD (Application example)
Dual-screen electronic book
Data is downloaded into a memory card, converting reading material into an easily displayed, portable format.

Other Electronic Components

Fiscal 2001 Results

Despite steady growth in overseas sales of solar cells amid rising awareness of the need for increased global environmental protection efforts, sales fell due to stagnant demand for laser diodes and other optoelectronic devices. Total sales fell 12.4% year on year to ¥152.3 billion.

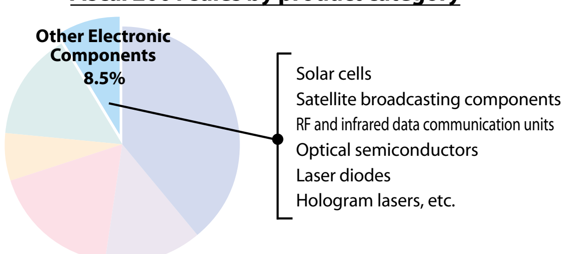
Strategies for Fiscal 2002

In its electronic components business, Sharp is focusing resources on areas where it is either the global market leader, or where there are realistic prospects of attaining leadership. This approach aims to maintain the company's current international market dominance and boost earnings.

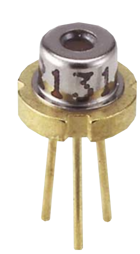
In photovoltaic power systems, as a company engaged in advanced environmental activities, Sharp continues to develop its business worldwide through a focus on energy-creating devices. In May 2001, Sharp expanded production capacity at its manufacturing plant for solar cells based in Shinjo, Nara Prefecture, from 54MW to 94MW. A further doubling of capacity, to 200MW, is planned in fiscal 2002 to supply prospective increases in demand.

Demand for laser diodes continues to grow apace as they are the key devices incorporated in the CD-R/RW and DVD drives employed within AV equipment and PCs. Sharp commenced production of these compound semiconductor products in May 2002 at a new Mihara No. 1 Plant in Hiroshima Prefecture. Sharp is responding to rising demand by utilizing two production sites, the Mihara Plant and the Nara Plant.

Fiscal 2001 sales by product category

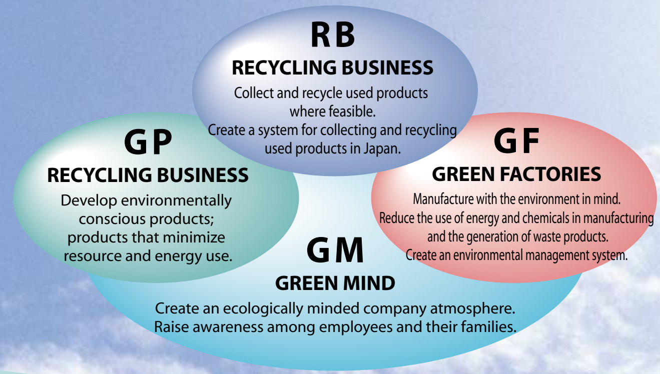


Solar cells for manmade satellites
As the only domestic manufacturer approved by the National Space Development Agency of Japan, since 1976 Sharp has built 134 solar power systems that have been installed on Japanese satellites.



Red laser diode
With a world-beating pulse output of 100mW, Sharp's latest red laser diodes can function with all types of writable DVD drives.

The Environmental Challenge



Working Toward a Sustainable Society Through Advanced Environmental Activities

In 1997, based on a recognition of its global environmental conservation obligations as a manufacturer, Sharp formulated its "3G-1R"* environmental strategy, which has since guided all the company's related activities.

Starting in fiscal 2001, Sharp initiated the development of an advanced program of environmental activities based on the 3G-1R strategy, with the aim of ensuring that everything the company does takes the needs of the global environment into account. This program divides Sharp's relationship with the environment into **six aspects (management, planning/design, production, recycling, company culture, and distribution)**. In each of these areas, Sharp established clear objectives and policies to be implemented throughout its global operations.

* 3G-1R has four themes:
1. Green Products (GP): the development of eco-conscious products
2. Green Factories (GF): eco-conscious manufacturing activities
3. Green Mind (GM): development of an eco-friendly company culture
4. Recycling Business (RB): collection and recycling of used products

Management

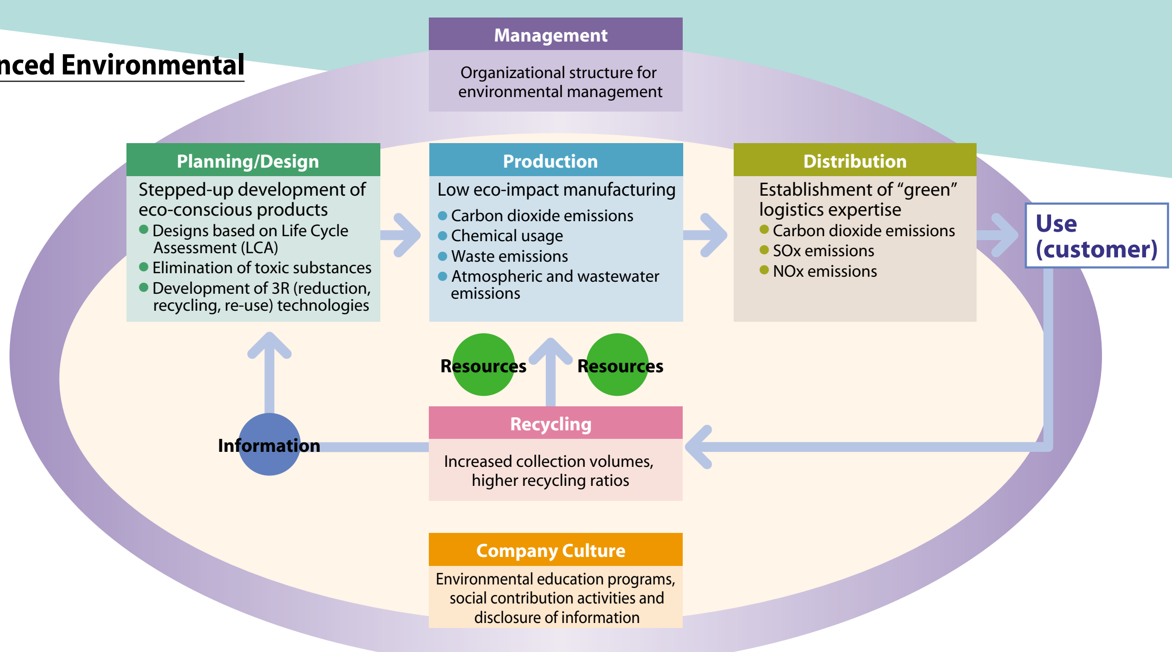
All of Sharp's manufacturing sites and facilities in Japan had obtained ISO14001 certification for their environmental management systems by the end of fiscal 1997. Major non-manufacturing sites, such as the Head Office and Tokyo Branch Office, have also obtained such certification. In fiscal 2001, all Sharp sales and service companies completed the same process.

Sharp has also made considerable progress in structuring its organization and systems to accomplish environmental management-related aims. For instance, the company has introduced systems that reflect environmental activities in the evaluation of divisional business performance, in addition to environmental accounting procedures. Sharp has also established environmental risk management procedures to ensure full regulatory compliance and prevent environmental pollution.

Planning/design

Sharp is developing eco-conscious "Green Products" that meet specific environmental performance parameters laid down in company development guidelines. The latter are based on seven concepts–energy saving, resource conservation, safety, recycling potential, use of recycled materials, usage longevity, and improved ease of dismantling. Products are evaluated at each of the planning/design, prototype and mass-production stages to assess their degree of eco-friendliness. The best products that meet all designated standards are labeled with the company's own "Sharp Green Seal" eco-label.

Sharp Advanced Environmental Activities



Production

Sharp aims to make all of its manufacturing facilities worldwide into "Green Factories" that meet internally set standards based on ISO14001 requirements. The three major issues being tackled in this program are prevention of global warming, reduction of waste materials, and reduction of emissions of toxic chemicals. In fiscal 2001, Sharp achieved zero-emissions status at all of its manufacturing facilities in Japan (Zero-emissions status is defined as the reduction to as close to zero as practically possible, by means of the recycling or re-use of all wastes generated, of the amounts of waste sent to landfill for final disposal. Sharp defines the upper limit for zero emissions as less than 0.5% of all wastes generated by weight).

Recycling

In line with appliance recycling legislation, Sharp is recycling not only the four leading categories of home appliances (air conditioners, televisions, refrigerators and washing machines), but also business equipment, such as PCs and copiers. The recycling expertise acquired by Sharp from its recycling business is embodied in guidelines aimed at improving recyclable designs for products. This feedback plays a key part in the development of new products that are easy to recycle. One area in which Sharp is currently applying considerable effort is the development of effective recycling technology for LCD modules.

Company culture

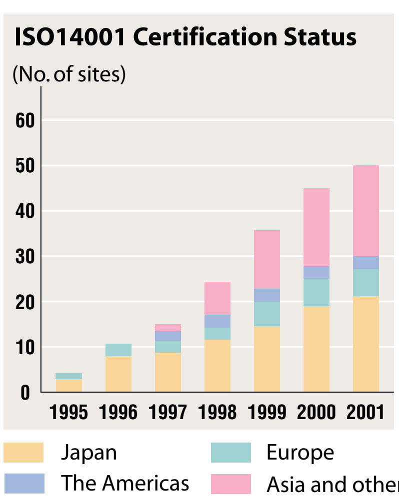
Sharp undertakes internal education and training programs to aid the development of an eco-friendly company culture. The company encourages full employee participation in a variety of environmental activities at company facilities, such as clean-up programs in the vicinity of company sites, programs to reduce trash, and activities directed at eliminating waste. These efforts help to raise workforce awareness of environmental issues and contribute to local communities.

Each June, which is designated Environment Month, a variety of activities are organized to promote an eco-friendly company culture. These include environmental exhibitions that the company sponsors, and contests to design posters or create environmental slogans.

Distribution

Sharp is working to reduce the amounts of cardboard and expanded polystyrene used as packing materials, particularly in import/export containers. For example, the company has switched to air bags that make use of recycled shock-absorbent materials.

In moves designed to restrict carbon dioxide emissions, Sharp is implementing a switch at its distribution centers from gasoline-powered forklifts to electric versions. Elsewhere, the company is moving from exclusive use of trucks to new modes of transport featuring freight rail, particularly for long-distance trunk distribution routes. This also helps to prevent global warming by restricting exhaust emissions.



The "Sharp Green Seal" is a company-developed eco-label marking those products that meet Sharp's environmental standards.

Topics

Construction of Integrated Manufacturing Plant for LCD Color TVs in Kameyama, Mie Prefecture

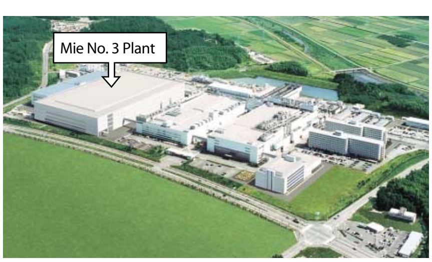
Sharp is building a new, state-of-the-art manufacturing plant in Kameyama, Mie Prefecture capable of the integrated production of LCD panels and LCD color televisions. Unifying production of panels and televisions at a single site not only promises to lower distribution costs and shorten delivery lead times, but also generates significant efficiency gains in terms of design, product quality, and overall costs.

▲ Kameyama Plant (conceptual sketch)

Kameyama Plant outline:
Location: Kameyama City, Mie Prefecture
Start of construction: September 2002
Start of production: May 2004
Products: large LCD color televisions

Construction of Plant for System LCDs at Mie Site

Sharp plans to commence mass-production of proprietary System LCDs at the Tenri Plant in October 2002. System LCDs represent a revolutionary leap forward in production technology since all the peripheral circuitry is placed on the surface of the same glass substrate as the LCD. They are expected to prove especially useful in the compact, thin-profile, low-power-consumption types of LCDs used in the screens of mobile equipment. To accommodate the anticipated surge in demand, Sharp is building another plant at a site in Mie Prefecture (Mie No. 3 Plant) to increase production capacity for system LCDs.

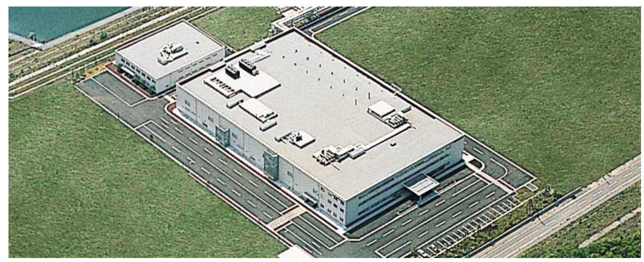


▲ Mie plant (conceptual sketch)

Mie No. 3 Plant outline:
Location: Taki-cho, Taki County, Mie Prefecture
Start of construction: May 2002
Start of production: October 2003
Products: System LCDs for mobile equipment

Compound Semiconductor Plant in Mihara Commences Operations

Sharp's new manufacturing plant for compound semiconductors in Mihara, Hiroshima Prefecture (the Mihara No. 1 Plant) commenced operations in May 2002. Demand continues to rise for laser diodes, which are used in memory devices in computers and audio-visual equipment. Sharp increased its production capacity for laser diodes, utilizing two production sites, the Mihara Plant and the Nara Plant.



▲ Mihara No. 1 Plant

Mihara No. 1 Plant outline:
Location: Mihara City, Hiroshima Prefecture
Products: compound semiconductors (laser diodes, LEDs)

Solar Cell Production Capacity Increased to 200MW

To supply increased demand for photovoltaic power systems in Japan and overseas markets due to rising environmental concerns around the world, Sharp plans to further extend its leadership of the global solar power market by raising solar cell production capacity at the Shinjo Plant in Nara Prefecture from 94MW (at the end of fiscal 2001) to 200MW within fiscal 2002. Sharp has been the world's leading producer of solar cells for two consecutive years.

▲ Shinjo Plant (conceptual sketch)

Solar-Powered Housing Development Wins Government Energy Award

In conjunction with local real estate developer Harakosan Co., Ltd. and others, Sharp Amenity Systems Corporation developed an apartment block fitted with photovoltaic power systems, subsequently receiving the Minister's Prize from the Japanese Ministry of Economy, Trade and Industry. The project drew praise for its advanced design, which involved equipping 16 apartments (half the total) and common areas with such systems, each consisting of seventeen 3-kW cells.

▲ Sharp Amenity Systems Corporation worked in conjunction with local real estate developer Harakosan Co., Ltd. (Shimonoseki City) and S.E.M. Daikin Co., Ltd. (Osaka City), sales agent of solar power equipment, to equip an apartment block with photovoltaic power systems.

Residential Photovoltaic Power Systems Given New Energy Award

The New Energy Foundation has awarded its Chairman's Prize to Sharp's residential photovoltaic power systems for their flexible provision of energy sources. Innovations such as corner modules (which allow installations in triangular or trapezoidal roof sections) and string converters (which harmonize the output voltages from separate units, making it easier to design integrated roof-top layouts) aid the installation of such systems even with complex roof styles, such as hipped or gabled roofs.

Solar cell modules and string converters ▶

Global Marketing Campaigns Boost Power of SHARP Brand in Japan, America and Europe

Local Sharp sales subsidiaries in Europe and the United States have conducted marketing campaigns emphasizing the company's strong presence in LCDs and LCD color televisions.

Advertising campaigns in the press and magazines have been complemented by a wide range of public relations and promotional activities, including various events, web site campaigns and in-store displays. These are aimed at boosting Sharp's brand image in global markets and raising sales.

▲ Poster from U.S. campaign, highlighting AQUOS LCD color televisions

◀ Poster from European campaign

In Japan, Sharp has stepped up its promotional and public relations efforts to highlight the development of original products and a new corporate culture.

Japanese press advertisement for AQUOS LCD color televisions ▶

Board of Directors (As of June 27, 2002)

President
Katsuhiko Machida

Corporate Senior Executive Vice President
Magohiro Aramoto

Corporate Senior Executive Vice President
Shigeo Misaka

Corporate Senior Executive Vice President
Seiji Shiotsu

Corporate Senior Executive Director
Buheita Fujiwara

Corporate Senior Executive Director
Hiroshi Saji

Corporate Senior Executive Director
Akihiko Kumagai

Corporate Senior Executive Director
Terumasa Yoneda

Corporate Senior Executive Director
Toshishige Hamano

Corporate Senior Executive Director
Zempei Tani

Corporate Executive Directors

Keiichi Miyata
Toru Kawata
Masaya Hijikigawa
Kensuke Yamada
Akira Mitarai
Masaaki Ohtsuka
Toshiaki Urushisako

Corporate Directors

Shintaro Hashimoto
Teruhiko Kondoh
Yoichi Sakai
Toshiyuki Tajima
Shigeo Nakabu
Kenji Ohta
Taiji Nishizawa
Hideaki Kamitsuma
Takashi Nakagawa
Yoshiaki Ibuchi

Corporate Auditors

Tomohiro Gonda
Mitsuhiko Iwasaki

Statutory Auditors

Hiroshi Iyori
Michihiro Ishii

Financial Section

CONTENTS

Five-Year Financial Summary

Sharp Corporation and Consolidated Subsidiaries
Years ended March 31

	Yen (millions)					U.S. Dollars (thousands)
	1998	1999	2000	2001	**2002**	**2002**
Net Sales	¥1,790,542	¥1,745,537	¥1,854,774	¥2,012,858	**¥1,803,798**	**$13,665,136**
Domestic Sales	856,346	857,175	974,666	1,149,775	**983,660**	**7,451,969**
Overseas Sales	934,196	888,362	880,108	863,083	**820,138**	**6,213,167**
Operating Income	59,100	38,127	74,460	105,913	**73,585**	**557,462**
Income before Income Taxes and Minority Interests	50,537	11,281	54,007	70,724	**19,863**	**150,477**
Net Income	24,788	4,631	28,130	38,527	**11,311**	**85,689**
Shareholders' Equity	953,327	944,339	896,618	943,505	**926,856**	**7,021,637**
Total Assets	2,084,203	2,021,886	1,922,794	2,003,641	**1,966,909**	**14,900,826**
Capital Investment *	173,448	100,146	98,051	162,393	**147,478**	**1,117,258**
Depreciation and Amortization	141,902	145,498	153,839	152,455	**133,947**	**1,014,750**
R&D Expenditures *	132,271	135,095	146,845	149,722	**144,744**	**1,096,545**
Sales by Product Group *						
Audio-Visual Equipment	434,342	418,812	400,190	389,464	—	—
Home Appliances	282,698	284,250	258,588	252,950	—	—
Communication and Information Equipment	594,089	551,023	586,932	641,438	—	—
Consumer/Information Products	1,311,129	1,254,085	1,245,710	1,283,852	—	—
Electronic Components	479,413	491,452	609,064	729,006	—	—
Total	1,790,542	1,745,537	1,854,774	2,012,858	—	—
Audio-Visual and Communication Equipment	—	—	—	668,908	**688,474**	**5,215,712**
Home Appliances	—	—	—	252,950	**236,335**	**1,790,417**
Information Equipment	—	—	—	361,994	**349,267**	**2,645,962**
Consumer/Information Products	—	—	—	1,283,852	**1,274,076**	**9,652,091**
ICs	—	—	—	180,604	**116,099**	**879,538**
LCDs	—	—	—	374,520	**261,295**	**1,979,507**
Other Electronic Components	—	—	—	173,882	**152,328**	**1,154,000**
Electronic Components	—	—	—	729,006	**529,722**	**4,013,045**
Total	—	—	—	2,012,858	**1,803,798**	**13,665,136**
Sales by Region						
Japan	856,346	857,175	974,666	1,149,775	**983,660**	**7,451,969**
North America	448,390	435,602	403,755	377,062	**369,934**	**2,802,531**
Asia	204,236	185,161	234,358	252,179	**225,017**	**1,704,674**
Europe	200,692	206,047	192,246	190,521	**188,840**	**1,430,606**
Other	80,878	61,552	49,749	43,321	**36,347**	**275,356**
Total	1,790,542	1,745,537	1,854,774	2,012,858	**1,803,798**	**13,665,136**
Per Share of Common Stock	Yen					U.S. Dollars
Net Income	¥ 22.00	¥ 4.11	¥ 24.97	¥ 34.20	**¥ 10.10**	**$ 0.08**
Diluted net income	21.64	—	24.80	33.87	—	—
Cash Dividends	12.00	12.00	12.00	13.00	**14.00**	**0.11**
Shareholders' Equity	846.27	838.28	795.88	837.45	**834.56**	**6.32**
Other Financial Data						
Return on Equity (ROE)	2.6%	0.5%	3.1%	4.2%	**1.2%**	—
Return on Assets (ROA)	1.2%	0.2%	1.4%	2.0%	**0.6%**	—
Percentage of Shareholders' Equity	45.7%	46.7%	46.6%	47.1%	**47.1%**	—

* The amount of properties for lease is included in capital investment.
* Design and development expenses are included in R&D expenditures.
* In 2002 contents of Product Group have been re-categorized and changed from Audio-Visual Equipment, Home Appliances, Communication and Information Equipment, and Electronics Components to Audio-Visual and Communication Equipment, Home Appliances, Information Equipment, ICs, LCDs and Other Electronic Components. Sales for 2001 have been reclassified to reflect this change.

Financial Review

Sharp Corporation and Consolidated Subsidiaries

Net sales for the year ended March 2002 has declined by 10.4% to ¥1,803.7 billion, after continuous growth for three fiscal years. This was resulted by a 14.4% decrease in sales in the domestic market, to ¥983.6 billion, due mainly to slack consumption and a 5.0% decrease in overseas sales, to ¥820.1 billion, primarily as a result of the downturn in the global business environment.

Sales by Product Group

Consumer/Information Products:

● *Audio-Visual and Communication Equipment*

Although demand for LCD camcorders and facsimiles proved sluggish, steady sales of LCD color televisions and mobile phones equipped with digital cameras helped sales increase by 2.9% year on year to ¥688.4 billion.

● *Home Appliances*

Sharp continued to expand its line-up of original products, which include air conditioners, refrigerators and air purifiers equipped with plasma cluster ion generating systems that quickly neutralize unpleasant odors and airborne molds, together with fully automatic washing machines that feature an innovative vacuum ultrasonic washing mechanism. Even so, demand slackened in a reflexive fall after a last-minute rush to purchase appliances in the last fiscal year prior to the implementation of electrical appliance recycling legislation in Japan. Combined with the effects of an unusually mild winter, this resulted in reduced sales, which declined by 6.6% to ¥236.3 billion.

● *Information Equipment*

Although digital copier/printers and LCD color monitors posted healthy growth, the global slump in demand for IT equipment had a negative impact on sales of mainstay personal computers. Total sales fell 3.5% year on year to ¥349.2 billion.

As a result of the above, total sales of Consumer/Information Products fell down slightly below the level of the previous year, declining 0.8% to ¥1,274.0 billion.

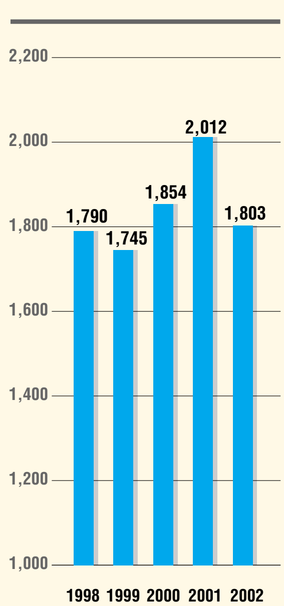
Electronic Components:

● *ICs*

Although sales of LSIs for LCDs started to increase towards the end of fiscal 2001, sales of flash memory suffered amid a drop-off in demand for mobile phones and a plunge in prices. Total sales fell by 35.7% year on year to ¥116.0 billion.

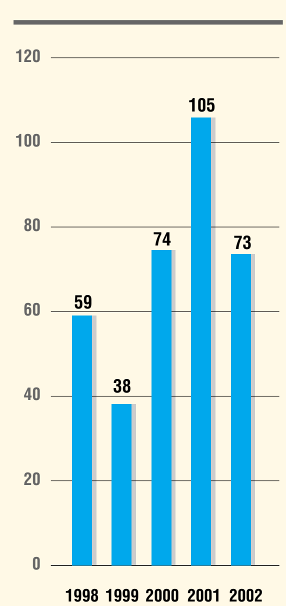
Net Sales

(billions of yen)



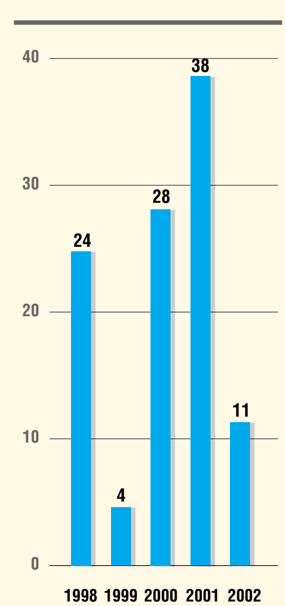
Operating Income

(billions of yen)



Net Income

(billions of yen)



● *LCDs*

Sharp continued to pursue the aggressive development of one-of-a-kind LCDs. Sales in the first half of fiscal 2001 declined amid lower prices for large TFT LCDs and a drop-off in demand for mobile phones. Although demand for LCD monitors and LCD color televisions expanded towards the end of fiscal 2001, and prices for large TFT LCDs also recovered, these effects were insufficient to compensate for the first-half performance. Total sales fell by 30.2% year on year to ¥261.2 billion.

● *Other Electronic Components*

Despite steady growth in overseas sales of solar cells as a result of an upsurge in awareness towards environmental protection, sales fell down due to stagnant demand for laser diodes and other optoelectronic devices. Total sales fell by 12.4% year on year to ¥152.3 billion.

As a result of the above, total sales of Electronic Components fell sharply down from the previous year, slipping 27.3% to ¥529.7 billion.

Consolidated Statements of Income

The cost of sales decreased by ¥160.7 billion from ¥1,501.3 billion in the previous year, to ¥1,340.6 billion, while the cost of sales ratio improved by 0.3%, from 74.6% to 74.3%.

Selling, general and administrative (SG&A) expenses declined by ¥16.0 billion from ¥405.5 billion to ¥389.5 billion, while SG&A expenses ratio against sales rose 1.5%, from 20.1% to 21.6%.

Operating income fell by 30.5%, to ¥73.5 billion after continuos growth for three fiscal years.

Other income, net decreased by ¥18.5 billion resulted to other net loss of ¥53.7 billion, mainly due to ¥25.5 billion related to losses on sales and impairment of investment in securities, including mostly stocks of banks.

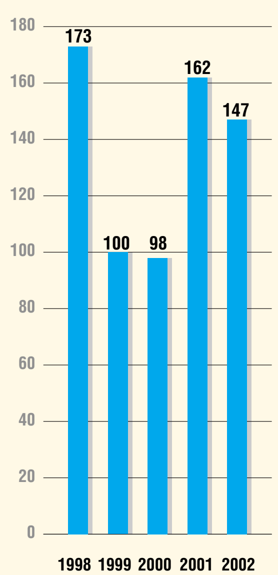
Income before income taxes and minority interests decreased by ¥50.8 billion, to ¥19.8 billion. Net income for the year amounted to ¥11.3 billion, after a fall of ¥27.2 billion from the previous year. Income taxes of ¥8.4 billion is a net amount of current income tax provision of ¥12.3 billion and deferred income tax of ¥3.9 billion under the tax effect accounting.

Consolidated Balance Sheets

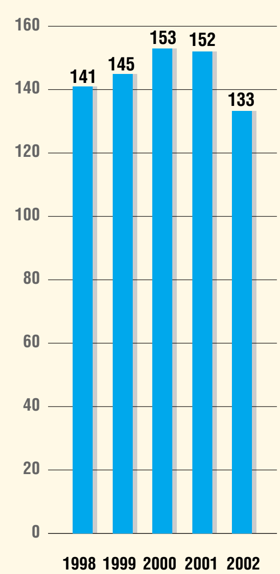
● *Assets*

Notes and accounts receivable decreased by ¥38.5 billion, to ¥357.0 billion, mainly as a result of the fall in sales of electronic components.

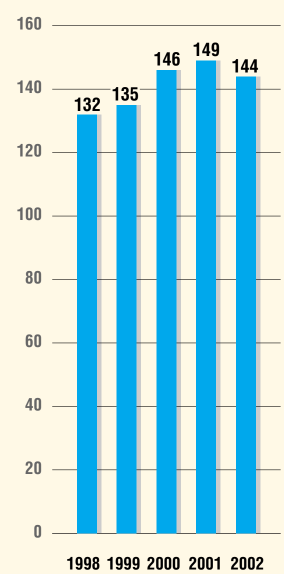
Capital Investment
(billions of yen)



Depreciation and Amortization
(billions of yen)



Research and Development Expenditures
(billions of yen)



Inventories, which include raw materials, work-in-process and finished products, increased by ¥13.3 billion year on year to ¥284.7 billion. Inventory ratio against monthly turnover increased from 1.6 to 1.9. This increase was partly due to a rise of inventories at overseas entities caused by depreciation of yen, and a rise in work in process resulted by LCD production increase at the Mie No. 2 Plant.

● *Liabilities*

Short-term borrowings and long-term debt amounted to ¥520.8 billion, increased by ¥80.4 billion over the previous year. This was mainly resulted by an investments in properties of ¥36.2 billion, in inventories of ¥13.3 billion, and the issue of commercial paper to raise fund for the purchase and retirement of treasury stock.

● *Shareholders' equity*

Additional paid-in capital decreased by ¥21.3 billion, to ¥261.4 billion, due to the retirement of treasury stock, and a total of ¥5.3 billion in net unrealized holding losses on securities was newly recorded. As a result, total shareholders' equity totaled ¥926.8 billion, a year-on-year decrease of ¥16.6 billion. The ratio of shareholders' equity to assets remained unchanged at 47.1%.

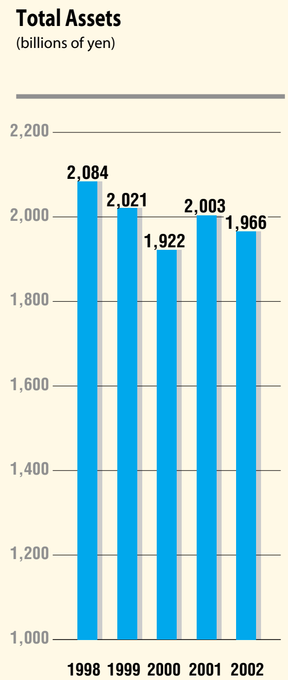
Consolidated Statements of Cash Flows

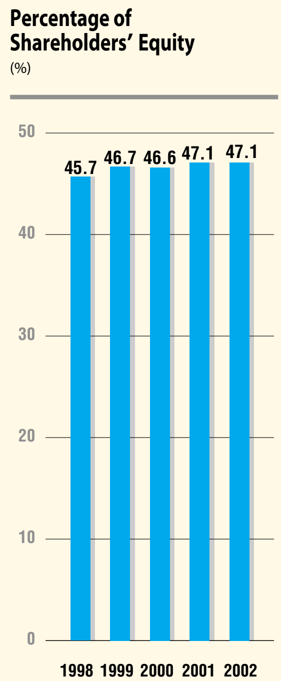
Net cash provided by operating activities totaled ¥139.0 billion, mainly resulted by income before income taxes and minority interests of ¥19.8 billion, and depreciation and amortization of properties and intangibles of ¥121.1 billion.

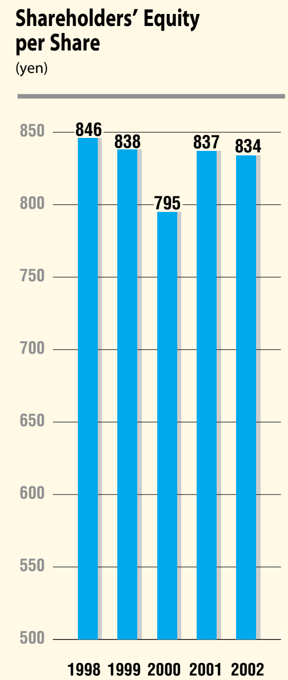
Net cash used in investing activities was ¥164.0 billion, mainly caused by acquisitions of plant and equipment of ¥194.2 billion and proceeds from sales of short-term investments amounting to ¥34.1 billion.

Net cash provided by financing activities totaled ¥32.1 billion, mainly resulted by short-term borrowings of ¥63.7 billion, and by purchase of treasury stock for retirement with additional paid-in capital amounted to ¥21.9 billion.

As a result, cash and cash equivalents at end of year totaled ¥231.4 billion, after an increase of ¥9.7 billion from the previous year-end.







Consolidated Balance Sheets

Sharp Corporation and Consolidated Subsidiaries as of March 31, 2001 and 2002

ASSETS	Yen (millions)		U.S. Dollars (thousands)
	2001	**2002**	**2002**
Current Assets:			
Cash and cash equivalents	¥ 221,673	**¥ 231,404**	**$ 1,753,061**
Time deposits	25,191	**16,201**	**122,735**
Short-term investments (Note 2)	164,735	**125,539**	**951,053**
Notes and accounts receivable—			
Trade	369,301	**325,514**	**2,466,015**
Installment	18,802	**22,219**	**168,326**
Nonconsolidated subsidiaries and affiliates	11,077	**13,509**	**102,341**
Allowance for doubtful receivables	(3,537)	**(4,196)**	**(31,788)**
Inventories (Note 3)	271,397	**284,761**	**2,157,280**
Other current assets (Note 4)	62,738	**69,073**	**523,280**
Total current assets	1,141,377	**1,084,024**	**8,212,303**
Plant and Equipment, at cost (Note 6):			
Land	47,752	**48,219**	**365,295**
Buildings and structures	432,247	**453,511**	**3,435,689**
Machinery and equipment	1,185,309	**1,262,977**	**9,568,008**
Construction in progress	97,394	**79,993**	**606,008**
	1,762,702	**1,844,700**	**13,975,000**
Less-Accumulated depreciation	(1,161,707)	**(1,207,456)**	**(9,147,394)**
	600,995	**637,244**	**4,827,606**
Investments and Other Assets:			
Investments in securities (Note 2)	145,460	**116,309**	**881,129**
Investments in nonconsolidated subsidiaries and affiliates	16,568	**18,164**	**137,606**
Prepaid expenses and other (Note 4)	99,241	**111,168**	**842,182**
	261,269	**245,641**	**1,860,917**
	¥2,003,641	**¥1,966,909**	**$14,900,826**

The accompanying notes to consolidated financial statements are an integral part of these statements.

LIABILITIES AND SHAREHOLDERS' EQUITY

	Yen (millions)		U.S. Dollars (thousands)
	2001	**2002**	**2002**
Current Liabilities:			
Short-term borrowings, including current portion of long-term debt (Note 5)	¥ 199,058	**¥ 320,055**	**$ 2,424,659**
Notes and accounts payable—			
Trade	314,226	**299,930**	**2,272,197**
Construction and other	104,100	**56,396**	**427,243**
Nonconsolidated subsidiaries and affiliates	11,630	**7,050**	**53,409**
Accrued expenses	118,860	**108,360**	**820,909**
Income taxes (Note 4)	27,250	**3,288**	**24,909**
Other current liabilities (Note 4)	22,158	**18,383**	**139,265**
Total current liabilities	797,282	**813,462**	**6,162,591**
Long-term Liabilities:			
Long-term debt (Note 5)	241,293	**200,790**	**1,521,136**
Estimated termination and retirement allowances (Note 9)	5,821	**—**	**—**
Allowance for severance and pension benefits (Note 9)	—	**9,314**	**70,561**
Other long-term liabilities (Note 4)	4,861	**5,857**	**44,371**
	251,975	**215,961**	**1,636,068**
Minority Interests	10,879	**10,630**	**80,530**
Contingent Liabilities (Note 8)			
Shareholders' Equity (Note 7):			
Common stock:			
Authorized —2,000,000 thousand shares in 2001 and 1,982,607 thousand shares in 2002			
Issued —1,126,652 thousand shares in 2001 and 1,110,699 thousand shares in 2002	204,095	**204,676**	**1,550,576**
Additional paid-in capital	282,768	**261,415**	**1,980,417**
Retained earnings	496,802	**492,163**	**3,728,508**
Net unrealized holding losses on securities	—	**(5,340)**	**(40,455)**
Foreign currency translation adjustments	(40,150)	**(25,899)**	**(196,204)**
Less-Cost of treasury stock:			
5,623 shares in 2001 and 101,521 shares in 2002	(10)	**(159)**	**(1,205)**
Total shareholders' equity	943,505	**926,856**	**7,021,637**
	¥2,003,641	**¥1,966,909**	**$14,900,826**

Consolidated Statements of Income

Sharp Corporation and Consolidated Subsidiaries for the Years ended March 31, 2001 and 2002

	Yen (millions)		U.S. Dollars (thousands)
	2001	**2002**	**2002**
Net Sales	¥2,012,858	**¥1,803,798**	**$13,665,136**
Cost of Sales	1,501,396	**1,340,682**	**10,156,681**
Gross profit	511,462	**463,116**	**3,508,455**
Selling, General and Administrative Expenses	405,549	**389,531**	**2,950,993**
Operating income	105,913	**73,585**	**557,462**
Other Income (Expenses):			
Interest and dividends income	10,099	**7,291**	**55,235**
Interest expense	(12,048)	**(9,626)**	**(72,924)**
Loss on sales of investments in securities	(3,336)	**(24,549)**	**(185,977)**
Loss on impairment of investments in securities	(1,670)	**(1,047)**	**(7,932)**
Other, net	(28,234)	**(25,791)**	**(195,387)**
	(35,189)	**(53,722)**	**(406,985)**
Income before income taxes and minority interests	70,724	**19,863**	**150,477**
Income Taxes (Note 4):			
Current	44,702	**12,378**	**93,773**
Deferred	(13,227)	**(3,909)**	**(29,614)**
	31,475	**8,469**	**64,159**
Income before minority interests	39,249	**11,394**	**86,318**
Minority Interests in Income of Consolidated Subsidiaries	(722)	**(83)**	**(629)**
Net Income	¥ 38,527	**¥ 11,311**	**$ 85,689**

	Yen		U.S. Dollars
	2001	**2002**	**2002**
Per Share of Common Stock (Note 7):			
Net income	¥ 34.20	**¥ 10.10**	**$ 0.08**
Diluted net income	33.87	**—**	**—**
Cash dividends	13.00	**14.00**	**0.11**

The accompanying notes to consolidated financial statements are an integral part of these statements.

Consolidated Statements of Shareholders' Equity

Sharp Corporation and Consolidated Subsidiaries for the Years ended March 31, 2001 and 2002

	Number of Shares (thousands)		Yen (millions)		U.S. Dollars (thousands)
	2001	**2002**	2001	**2002**	**2002**
Common Stock (Note 7):					
Beginning balance	1,126,581	**1,126,652**	¥204,066	**¥204,095**	**$1,546,174**
Conversion of convertible bonds	71	**1,440**	29	**581**	**4,402**
Purchase and retirement of treasury stock	—	**(17,393)**	—	**—**	**—**
Ending balance	1,126,652	**1,110,699**	¥204,095	**¥204,676**	**$1,550,576**
Additional Paid-in Capital (Note 7):					
Beginning balance			¥282,740	**¥282,768**	**$2,142,183**
Conversion of convertible bonds			28	**579**	**4,386**
Purchase and retirement of treasury stock			—	**(21,932)**	**(166,152)**
Ending balance			¥282,768	**¥261,415**	**$1,980,417**
Retained Earnings (Note 7):					
Beginning balance			¥471,872	**¥496,802**	**$3,763,652**
Net income			38,527	**11,311**	**85,689**
Cash dividends paid			(13,518)	**(15,714)**	**(119,045)**
Directors' and statutory auditors' bonuses			(163)	**(236)**	**(1,788)**
Other			84	**—**	**—**
Ending balance			¥496,802	**¥492,163**	**$3,728,508**
Net Unrealized Holding Losses on Securities:					
Beginning balance			¥ —	**¥ —**	**$ —**
Net increase			—	**(5,340)**	**(40,455)**
Ending balance			¥ —	**¥ (5,340)**	**$ (40,455)**
Foreign Currency Translation Adjustments:					
Beginning balance			¥ (62,053)	**¥ (40,150)**	**$ (304,166)**
Net increase			21,903	**14,251**	**107,962**
Ending balance			¥ (40,150)	**¥ (25,899)**	**$ (196,204)**
Treasury Stock:					
Beginning balance			¥ (7)	**¥ (10)**	**$ (76)**
Net increase			(3)	**(149)**	**(1,129)**
Ending balance			¥ (10)	**¥ (159)**	**$ (1,205)**

The accompanying notes to consolidated financial statements are an integral part of these statements.

Consolidated Statements of Cash Flows

Sharp Corporation and Consolidated Subsidiaries for the Years ended March 31, 2001 and 2002

	Yen (millions)		U.S. Dollars (thousands)
	2001	**2002**	**2002**
Cash Flows from Operating Activities:			
Income before income taxes and minority interests	¥ 70,724	**¥ 19,863**	**$ 150,477**
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities—			
Depreciation and amortization of properties and intangibles	138,330	**121,172**	**917,970**
Interest and dividends income	(10,099)	**(7,291)**	**(55,235)**
Interest expense	12,048	**9,626**	**72,924**
Exchange loss	5,620	**4,204**	**31,849**
Loss on sales and disposal of plant and equipment	5,393	**6,790**	**51,439**
Decrease (increase) in notes and accounts receivable	(29,253)	**52,297**	**396,190**
(Increase) decrease in inventories	6,019	**(3,616)**	**(27,394)**
(Decrease) increase in payable	22,863	**(26,285)**	**(199,129)**
Other, net	14,394	**1,838**	**13,924**
Total	236,039	**178,598**	**1,353,015**
Interest and dividends received	9,711	**7,875**	**59,659**
Interest paid	(12,513)	**(10,586)**	**(80,197)**
Income taxes paid	(49,681)	**(36,819)**	**(278,931)**
Net cash provided by operating activities	183,556	**139,068**	**1,053,546**
Cash Flows from Investing Activities:			
Purchase of time deposits	(275,129)	**(307,893)**	**(2,332,523)**
Proceeds from redemption of time deposits	313,303	**313,021**	**2,371,371**
Purchase of short-term investments	—	**(4,651)**	**(35,235)**
Proceeds from sales of short-term investments	50,243	**34,166**	**258,833**
Acquisitions of plant and equipment	(133,086)	**(194,291)**	**(1,471,901)**
Proceeds from sales of plant and equipment	3,679	**2,747**	**20,811**
Purchase of investments in securities and investments in nonconsolidated subsidiaries and affiliates	(19,672)	**(54,402)**	**(412,136)**
Proceeds from sales of investments in securities and investments in nonconsolidated subsidiaries and affiliates	8,753	**23,996**	**181,788**
Loans made	(2,704)	**(12,756)**	**(96,636)**
Proceeds from collection of loans	1,660	**13,720**	**103,939**
Other, net	(17,601)	**22,249**	**168,553**
Net cash used in investing activities	(70,554)	**(164,094)**	**(1,243,136)**
Cash Flows from Financing Activities:			
Increase (decrease) in short-term borrowings, net	(55,175)	**63,746**	**482,924**
Proceeds from long-term debt	32,423	**36,588**	**277,182**
Repayments of long-term debt	(34,774)	**(30,042)**	**(227,591)**
Purchase of treasury stock for retirement with additional paid-in capital	—	**(21,932)**	**(166,152)**
Dividends paid	(13,510)	**(15,701)**	**(118,947)**
Other, net	(417)	**(520)**	**(3,939)**
Net cash provided by (used in) financing activities	(71,453)	**32,139**	**243,477**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	2,014	**2,618**	**19,833**
Net Increase in Cash and Cash Equivalents	43,563	**9,731**	**73,720**
Cash and Cash Equivalents at Beginning of Year	177,783	**221,673**	**1,679,341**
Cash and Cash Equivalents Increased by Merger	327	**—**	**—**
Cash and Cash Equivalents at End of Year	¥ 221,673	**¥ 231,404**	**$1,753,061**
Noncash Investing and Financing Activities:			
Increase in common stock and additional paid-in capital on conversion of convertible bonds	¥ 57	**¥ 1,160**	**$ 8,788**

The accompanying notes to consolidated financial statements are an integral part of these statements.

1. Summary of Significant Accounting and Reporting Policies

(a) Basis of presenting consolidated financial statements

Sharp Corporation (the "Company") and its domestic consolidated subsidiaries maintain their official accounting records in Japanese yen and in accordance with the provisions set forth in the Japanese Commercial Code and the Securities and Exchange Law and accounting principles and practices generally accepted in Japan ("Japanese GAAP"). The accounts of overseas consolidated subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles and practices prevailing in the respective countries of domicile. Certain accounting principles and practices generally accepted in Japan are different from International Accounting Standards and standards in other countries in certain respects as to application and disclosure requirements. Accordingly, the accompanying consolidated financial statements are intended for use by those who are informed about Japanese GAAP.

The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions and the inclusion of consolidated statements of shareholders' equity) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers, using the prevailing exchange rate at March 31, 2002, which was ¥132 to U.S.$1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

(b) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and significant companies over which the Company has power of control through majority voting right or existence of certain conditions evidencing control by the Company. Investments in nonconsolidated subsidiaries and affiliates over which the Company has the ability to exercise significant influence over operating and financial policies of the investees, are accounted for on the equity method.

In the elimination of investments in consolidated subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are evaluated using the fair value at the time the Company acquired control of the respective subsidiaries.

Material intercompany balances, transactions and profits have been eliminated in consolidation.

(c) Translation of foreign currencies

Monetary assets and liabilities denominated in foreign currency are translated into Japanese yen at current rates at each balance sheet date and the resulting translation gains or losses are charged to income currently.

As to translation of financial statements of overseas subsidiaries and affiliates, assets and liabilities are translated at current rates at each balance sheet date, shareholders' equity accounts are translated at historical rates, and revenues and expenses are translated at average rates prevailing during the year. The resulting foreign currency translation adjustments are shown as a separate component of shareholders' equity.

(d) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits placed with banks on demand and highly liquid investments with insignificant risk of changes in value which have maturities of three months or less when purchased.

(e) Short-term investments and investments in securities

Short-term investments consist of certificates of deposits and interest-bearing securities.

Investments in securities consist principally of marketable and nonmarketable equity securities and interest-bearing securities.

The Company and its domestic consolidated subsidiaries identified the intent of holding securities and classified those

securities as other securities, which, in principle, include all securities other than trading securities and held-to-maturity securities.

In the year ended March 31, 2001, other securities were principally stated at average cost under the provision for one-year grace period by the new Accounting Standards for Financial Instruments subject to disclosure as indicated in Note 2.

Effective April 1, 2001, other securities with fair market value are stated at fair market value which is calculated as average of market price during the last month of the current fiscal year. Unrealized holding gains and losses on these securities are reported, net of applicable income taxes, as a separate component of shareholders' equity. As a result of this change, net unrealized holding losses on securities of ¥5,340 million ($40,455 thousand), deferred tax assets of ¥3,854 million ($29,197 thousand) and minority interests of ¥19 million ($144 thousand) were recorded. Deferred tax assets were included in prepaid expenses and other. Realized gains and losses on sales of such securities are principally computed using average cost.

Other securities with no fair market value are stated at average cost, except for interest-bearing securities which are stated at amortized cost, net of the amount considered not collectible.

If the fair market value of other securities declines significantly, such securities are stated at fair market value and the difference between fair market value and the carrying amount is recognized as loss in the period of decline. If the net asset value of other securities, except for interest-bearing securities, with no fair market value declines significantly, such securities should be written down to the net asset value by charging to income. In these cases, such fair market value or the net asset value will be carried forward to the next year.

(f) Leases

Finance leases, except those leases for which the ownership of the leased assets is considered to be transferred to the lessee, are primarily accounted for as operating leases.

(g) Inventories

Finished products are principally stated at the lower of moving average cost or market, however, finished products held by overseas consolidated subsidiaries are valued at the lower of first-in, first-out cost or market. Work in process and raw materials are stated at the current production and purchase costs, respectively, not in excess of estimated realizable value.

(h) Depreciation and amortization

Depreciation of plant and equipment is primarily computed on the declining-balance method over the estimated useful lives. Buildings acquired by the Company and its domestic consolidated subsidiaries on and after April 1, 1998 are depreciated on the straight-line method.

Maintenance and repairs including minor renewals and betterments are charged to income as incurred.

(i) Accrued bonuses

The Company and its domestic consolidated subsidiaries accrue estimated amounts of employees' bonuses based on estimated amounts to be paid in the subsequent period.

(j) Income taxes

The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

(k) Severance and pension benefits

The Company and its domestic consolidated subsidiaries have primarily a trusteed noncontributory defined benefit pension plan for their employees with at least five years of service to supplement a governmental welfare pension plan.

In addition, the Company and its domestic consolidated subsidiaries have an unfunded termination and retirement allowance plan to provide benefits for their employees with less than five years of service.

Certain overseas consolidated subsidiaries have defined contribution pension plans and lump-sum retirement benefit plans.

Prior to April 1 2001, annual payments to the trustees for the pension plan were based on actuarially determined costs of the plan and were charged to income. And the amounts of the termination and retirement allowances were, in general,

determined on the basis of length of service and specified basic salary at the time of termination or retirement. Estimated termination and retirement allowances were provided for 40% of the amount required if the employees with less than five years of service had voluntarily terminated their employment as of each fiscal year end.

Effective April 1, 2001, the Company and its domestic consolidated subsidiaries adopted the new accounting standard, "Opinion Concerning the Establishment of Accounting Standard for Retirement Benefits" (the "New Accounting Standard").

Under the New Accounting Standard, projected benefit obligation and expenses for severance and pension benefits are determined based on the amounts actuarially calculated using certain assumptions.

The Company and its domestic consolidated subsidiaries provided allowance for severance and pension benefits at March 31, 2002 based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at that date.

The excess of the projected benefit obligation over the total of the fair value of pension assets as of April 1, 2001 and the allowance for severance and pension benefits recorded as of April 1, 2001 (the "net transition obligation") amounted to ¥69,090 million ($523,409 thousand). The net transition obligation has been amortized in equal amounts over 7 years commencing with the year ended March 31, 2002. Actuarial losses are recognized in expenses using the straight-line method over the average of the estimated remaining service lives (16 years) commencing with the following period.

As a result of the adoption of the New Accounting Standard, in the year ended March 31, 2002, expenses for severance and pension benefits increased by ¥2,726 million ($20,652 thousand), operating income and income before income taxes and minority interests decreased by ¥2,551 million ($19,326 thousand) compared with what would have been recorded under the previous accounting standard.

Directors and statutory auditors customarily receive lump-sum payments upon their termination, subject to shareholders' approval. Such payments are charged to income when paid.

(l) Research and development expenses and software costs

Research and development expenses are charged to income as incurred. The research and development expenses charged to income amounted to ¥132,906 million and ¥125,941 million ($954,098 thousand) for the years ended March 31, 2001 and 2002, respectively.

The software costs are recorded principally in prepaid expenses and other and amortized by the straight-line method over estimated useful lives of principally 5 years.

(m) Derivative financial instruments

The Company and some of its consolidated subsidiaries use derivative financial instruments, which include foreign exchange forward contracts and interest rate swap agreements, in order to hedge risks of fluctuations in foreign currency exchange rates and interest rates associated with assets and liabilities denominated in foreign currencies, investments in securities and debt obligations.

All derivative financial instruments are stated at fair value and recorded on the balance sheets. Deferred method was adopted for recognizing gains or losses on these hedging instruments and the hedged items. When foreign exchange forward contracts meet certain conditions, the hedged items are stated by the forward exchange contract rates.

The derivative financial instruments are used based on internal policies and procedures on risk control.

The risks of fluctuations in foreign currency exchange rates and interest rates have been assumed to be completely hedged over the period of hedging contracts as the major conditions of the hedging instruments and the hedged items are consistent. Accordingly, the evaluation of effectiveness of the hedging contracts is exempted.

The credit risk of such derivatives is assessed at low as the counter-parties of these transactions are prestigious financial institutions.

(n) Reclassifications

Certain prior year amounts have been reclassified to conform to 2002 presentation. These changes had no impact on previously reported results of operations.

2. Short-term Investments and Investments In Securities

Other securities with book values exceeding acquisition costs as of March 31, 2002 were as follows:

	Yen (millions)			U.S. Dollars (thousands)		
	2002			2002		
	Acquisition cost	Carrying amount	Difference	Acquisition cost	Carrying amount	Difference
Equity securities	**¥13,481**	**¥21,895**	**¥8,414**	**$102,129**	**$165,871**	**$63,742**
Interest-bearing securities	**—**	**—**	**—**	**—**	**—**	**—**
Others	**—**	**—**	**—**	**—**	**—**	**—**
Total	**¥13,481**	**¥21,895**	**¥8,414**	**$102,129**	**$165,871**	**$63,742**

Other securities with book values not exceeding acquisition costs as of March 31, 2002 were as follows:

	Yen (millions)			U.S. Dollars (thousands)		
	2002			2002		
	Acquisition cost	Carrying amount	Difference	Acquisition cost	Carrying amount	Difference
Equity securities	**¥43,975**	**¥26,338**	**¥(17,637)**	**$333,144**	**$199,530**	**$(133,614)**
Interest-bearing securities	**—**	**—**	**—**	**—**	**—**	**—**
Others	**—**	**—**	**—**	**—**	**—**	**—**
Total	**¥43,975**	**¥26,338**	**¥(17,637)**	**$333,144**	**$199,530**	**$(133,614)**

Other securities information under the provision for one-year grace period indicated in Note 1 (e) as of March 31, 2001 is as follows:

	Yen (millions)
	2001
Carrying amount	¥78,835
Fair market value	65,263
Net unrealized holding losses	7,914
Hypothetical deferred tax assets	5,731
Hypothetical minority interests	73

Amounts of redemption of other securities with maturities as of March 31, 2001 and 2002 were as follows:

	Yen (millions)		U.S. Dollars (thousands)
	2001	**2002**	**2002**
Government Bonds:			
Due within one year	¥ —	**¥ —**	**$ —**
Due after one year through five years	10	**7**	**53**
Due after five years through ten years	—	**—**	**—**
Due over ten years	—	**—**	**—**
Corporate Bonds:			
Due within one year	29,735	**25,539**	**193,477**
Due after one year through five years	56,395	**51,990**	**393,864**
Due after five years through ten years	—	**6**	**45**
Due over ten years	—	**—**	**—**
Convertible Bonds:			
Due within one year	—	**—**	**—**
Due after one year through five years	—	**30**	**227**
Due after five years through ten years	—	**—**	**—**
Due over ten years	—	**—**	**—**

The proceeds from sales of other securities were ¥5,922 million and ¥23,961million ($181,523 thousand) for the years ended March 31, 2001 and 2002, respectively. The gross realized gains on those sales were ¥250 million and ¥629 million ($4,765 thousand) for the years ended March 31, 2001 and 2002, respectively. The gross realized losses on those sales were ¥3,405 million and ¥26,290 million ($199,167 thousand) for the years ended March 31, 2001 and 2002, respectively.

Other securities with no fair market value principally consisted of unlisted interest-bearing securities whose carrying amount were ¥86,733 million and ¥78,018 million ($591,045 thousand) as of March 31, 2001 and 2002, respectively.

3. Inventories

Inventories as of March 31, 2001 and 2002 were as follows:

	Yen (millions)		U.S. Dollars (thousands)
	2001	**2002**	**2002**
Finished products	¥174,660	**¥172,346**	**$1,305,652**
Work in process	40,634	**57,459**	**435,295**
Raw materials	56,103	**54,956**	**416,333**
	¥271,397	**¥284,761**	**$2,157,280**

4. Income Taxes

The Company is subject to a number of different income taxes which, in the aggregate, indicate a normal tax rate in Japan of approximately 42% for the years ended March 31, 2001 and 2002. Deviations of the effective tax rate for financial statement purposes from the normal tax rate on income before income taxes and minority interests are due primarily to expenses not deductible for tax purposes and differences in normal tax rates of overseas subsidiaries.

The following table summarizes the significant differences between the normal tax rate and the effective tax rate for financial statement purposes for the year ended March 31, 2001:

	2001
Normal tax rate	42.0 %
Differences in normal tax rates of overseas subsidiaries	(2.9)
Expenses not deductible for tax purposes	9.8
Tax credit	(3.6)
Other	(0.8)
Effective tax rate	44.5 %

The difference between the normal tax rate and the effective tax rate for financial statement purposes for the year ended March 31, 2002 was immaterial.

Significant components of deferred tax assets and deferred tax liabilities as of March 31, 2001 and 2002 were as follows:

	Yen (millions)		U.S. Dollars (thousands)
	2001	**2002**	**2002**
Deferred tax assets:			
Inventories	¥15,184	**¥13,591**	**$102,962**
Allowance for doubtful receivables	2,074	**2,242**	**16,985**
Accrued bonus	7,196	**6,568**	**49,757**
Warranty reserve	1,365	**1,151**	**8,720**
Software	4,803	**9,784**	**74,121**
Long-term prepaid expenses	6,647	**8,048**	**60,970**
Net unrealized holding losses on securities	—	**3,854**	**29,197**
Other	23,671	**23,350**	**176,894**
Gross deferred tax assets	60,940	**68,588**	**519,606**
Deferred tax liabilities:			
Retained earnings appropriated for tax allowable reserves	(1,912)	**(2,934)**	**(22,227)**
Undistributed earnings of overseas subsidiaries	(7,690)	**(5,003)**	**(37,902)**
Other	(1,868)	**(3,075)**	**(23,295)**
Gross deferred tax liabilities	(11,470)	**(11,012)**	**(83,424)**
Net deferred tax assets	¥49,470	**¥57,576**	**$436,182**

Net deferred tax assets and liabilities as of March 31, 2001 and 2002 were included in the consolidated balance sheets as follows:

	Yen (millions)		U.S. Dollars (thousands)
	2001	**2002**	**2002**
Other current assets	¥34,173	**¥31,931**	**$241,902**
Prepaid expenses and other	16,879	**28,677**	**217,250**
Other current liabilities	(3)	**(8)**	**(61)**
Other long-term liabilities	(1,579)	**(3,024)**	**(22,909)**
Net deferred tax assets	¥49,470	**¥57,576**	**$436,182**

5. Short-term Borrowings and Long-term Debt

The weighted average interest rate of short-term borrowings as of March 31, 2002 was 1.7%. The Company and its consolidated subsidiaries have had no difficulty in renewing such loans when they have considered such renewal advisable.

Short-term borrowings including current portion of long-term debt as of March 31, 2001 and 2002 consisted of the following:

	Yen (millions)		U.S. Dollars (thousands)
	2001	**2002**	**2002**
Bank loans	¥116,119	**¥123,188**	**$ 933,242**
Bank acceptances payable	2,303	**1,355**	**10,265**
Commercial paper	50,720	**118,463**	**897,447**
Current portion of long-term debt	29,916	**77,049**	**583,705**
	¥199,058	**¥320,055**	**$2,424,659**

Long-term debt as of March 31, 2001 and 2002 consisted of the following:

	Yen (millions)		U.S. Dollars (thousands)
	2001	**2002**	**2002**
0.3%–5.2% unsecured loans principally from banks, due 2001 to 2011	¥108,567	**¥113,664**	**$ 861,090**
1.6% unsecured convertible bonds, due 2002	1,189	**—**	**—**
1.6% unsecured convertible bonds, due 2004	26,951	**26,951**	**204,174**
1.55% unsecured straight bonds, due 2002	50,000	**50,000**	**378,788**
2.00% unsecured straight bonds, due 2005	30,000	**30,000**	**227,273**
1.30% unsecured straight bonds, due 2003	10,000	**10,000**	**75,758**
1.65% unsecured straight bonds, due 2005	10,000	**10,000**	**75,758**
0.15%–2.7% unsecured Euroyen notes issued by a consolidated subsidiary, due 2001 to 2007	34,460	**37,200**	**281,818**
4.45%–7.2% mortgage loans for employees' housing from a government-sponsored agency, due 2001 to 2009	42	**24**	**182**
	271,209	**277,839**	**2,104,841**
Less-Current portion included in short-term borrowings	(29,916)	**(77,049)**	**(583,705)**
	¥241,293	**¥200,790**	**$1,521,136**

The following is a summary of the terms of conversion and redemption of the convertible bonds:

	Conversion price	Redemption at the option of the Company
1.6% Bonds, due 2002	¥ 805.40	At 106% to 100% of principal after March 31, 1995, decreasing 1% annually
1.6% Bonds, due 2004	¥1,554.00	At 106% to 100% of principal after September 30, 1997, decreasing 1% annually

The conversion prices of bonds are subject to adjustment for certain subsequent events such as the issue of common stock at less than fair value and stock splits.

The 1.6% unsecured convertible bonds, due 2002 are subject to certain covenants such as restrictions on dividends as defined in the agreement.

If all convertible bonds were converted as of March 31, 2002, 17,342 thousand shares of common stock would be issuable.

As is customary in Japan, substantially all of the bank borrowings are subject to general agreements with each bank which provide, among other things, that security and guarantees for present and future indebtedness will be given upon request of the bank, and that any collateral so furnished will be applicable to all indebtedness to that bank. To date, the Company has not received such requests from its banks. In addition, the agreements provide that the bank has the right to offset cash deposited against any short-term or long-term debt that becomes due, and in case of default and certain other specified events, against all other debts payable to the bank.

The aggregate annual maturities of long-term debt as of March 31, 2002 were as follows:

Year ending March 31	Yen (millions)	U.S. Dollars (thousands)
2004	¥ 23,545	$ 178,371
2005	46,809	354,614
2006	79,324	600,939
2007	8,603	65,174
2008 and thereafter	42,509	322,038
	¥200,790	$1,521,136

6. Leases

Finance leases

Information relating to finance leases, excluding those leases for which the ownership of the leased assets is considered to be transferred to the lessee, as of, and for the years ended, March 31, 2001 and 2002, is as follows:

(a) As lessee

(1) Future minimum lease payments

	Yen (millions)		U.S. Dollars (thousands)
	2001	**2002**	**2002**
Due within one year	¥ 73,951	**¥ 75,928**	**$ 575,212**
Due after one year	146,773	**150,026**	**1,136,561**
	¥220,724	**¥225,954**	**$1,711,773**

(2) Lease payments

	Yen (millions)		U.S. Dollars (thousands)
	2001	**2002**	**2002**
Lease payments	¥ 15,848	**¥ 16,100**	**$ 121,970**

(b) As lessor

(1) Acquisition cost, accumulated depreciation and book value of leased properties

	Yen (millions)		U.S. Dollars (thousands)
	2001	**2002**	**2002**
Machinery and equipment:			
Acquisition cost	¥ 7,378	**¥ 20,375**	**$ 154,356**
Accumulated depreciation	4,128	**4,886**	**37,015**
Book value	3,250	**15,489**	**117,341**

(2) Future minimum lease receipts

	Yen (millions)		U.S. Dollars (thousands)
	2001	**2002**	**2002**
Due within one year	¥ 64,715	**¥ 69,390**	**$ 525,682**
Due after one year	135,600	**150,783**	**1,142,295**
	¥200,315	**¥220,173**	**$1,667,977**

(3) Lease receipts and depreciation

	Yen (millions)		U.S. Dollars (thousands)
	2001	**2002**	**2002**
Lease receipts	¥ 1,956	**¥ 2,615**	**$ 19,811**
Depreciation	1,584	**2,241**	**16,977**

Operating leases

(a) As lessee

Future minimum lease payments as of March 31, 2001 and 2002 were as follows:

	Yen (millions)		U.S. Dollars (thousands)
	2001	**2002**	**2002**
Due within one year	¥ 1,044	**¥ 1,220**	**$ 9,242**
Due after one year	1,818	**2,261**	**17,129**
	¥ 2,862	**¥ 3,481**	**$ 26,371**

(b) As lessor

Future minimum lease receipts as of March 31, 2001 and 2002 were as follows:

	Yen (millions)		U.S. Dollars (thousands)
	2001	**2002**	**2002**
Due within one year	¥ 1,664	**¥ 1,581**	**$ 11,977**
Due after one year	1,582	**1,589**	**12,038**
	¥ 3,246	**¥ 3,170**	**$ 24,015**

7. Shareholders' Equity and Per Share Data

Prior to October 1, 2001, the Japanese Commercial Code provided that at least one-half of the proceeds from shares issued at a price in excess of par value be included in common stock. Effective October 1, 2001, the Code abolished par value of shares and provides that at least one-half of the proceeds from shares issued be included in common stock and the remaining amount of the proceeds be accounted for as additional paid-in capital. In conformity therewith, the Company recorded as common stock over one-half of the principal amount of the convertible bonds converted into common stock.

Effective October 1, 2001, the Code provides that an amount equivalent to at least 10% of cash dividends paid and other cash outlays shall be appropriated and set aside as legal reserve until the total amount of legal reserve and additional paid-in capital equals 25% of the stated capital.

As of March 31, 2002, the total amount of legal reserve and additional paid-in capital has already exceeded 25% of the stated capital and, therefore, no additional provision is required.

On condition that the total amount of legal reserve and additional paid-in capital remains being equal to or exceeding 25% of the stated capital, they are available for distribution by the resolution of the shareholders' meeting. Legal reserve is included in retained earnings.

Year end cash dividends are approved by the shareholders after the end of each fiscal year and semiannual interim cash dividends are declared by the Board of Directors after the end of each interim six-month period. Such dividends are payable to shareholders of record at the end of each fiscal year or interim six-month period. In accordance with the Code, final cash dividends and the related appropriations of retained earnings have not been reflected in the financial statements at the end of such fiscal year. However, dividends per share shown in the accompanying consolidated statements of income reflect dividends applicable to the respective period.

Net income per share is computed based on the weighted average number of shares of common stock outstanding.

Diluted net income per share is based on the assumption that all dilutive convertible bonds were converted into common stock at the beginning of the year. Diluted net income per share of common stock for the year ended March 31, 2002 was not shown since the outstanding convertible bonds had no dilutive effect on the net income per share data for 2002.

On June 27, 2002, the shareholders approved the declaration of cash dividends totaling ¥7,774 million ($58,894 thousand) to shareholders of record as of March 31, 2002, covering the year then ended.

The Ordinary General Meeting of Shareholders held on June 26, 1998 authorized the Company, pursuant to the Japanese regulations, to purchase and retire its treasury stock up to a total not exceeding 50 million outstanding shares with its profit by a resolution of the Board of Directors. As of March 31, 2002, no treasury stock has been purchased under this authorization.

The Ordinary General Meeting of Shareholders held on June 29, 2000 authorized that, in addition to the shares discussed in the preceding paragraph, the Company may, by a resolution of the Board of Directors, purchase and retire its treasury stock up to a total not exceeding 20 million outstanding shares with its additional paid-in capital at prices in total not exceeding ¥50 billion ($378,788 thousand).

The meeting of Board of Directors held on September 4, 2001 authorized the Company to purchase and retire its treasury stock up to a total not exceeding 20 million outstanding shares with its additional paid-in capital at price in total not exceeding ¥27 billion ($204,545 thousand).

As of March 31, 2002, 17,393 thousand outstanding shares, ¥21,932 million ($166,152 thousand) have been purchased and retired.

Consequently, the number of authorized shares has been decreased by 17,393 thousand shares.

8. Contingent Liabilities

As of March 31, 2002, the Company and its consolidated subsidiaries had contingent liabilities as follows:

	Yen (millions)	U.S. Dollars (thousands)
	2002	**2002**
Loans guaranteed	**¥16,433**	**$124,492**
Notes discounted	**97**	**735**
	¥16,530	**$125,227**

9. Employees' Severance and Pension Benefits

As explained in Note 1 (k), effective April 1, 2001, the Company and its domestic consolidated subsidiaries adopted the New Accounting Standard for employees' severance and pension plans, under which projected benefit obligation and expenses for severance and pension benefits are determined based on the amounts obtained by actuarial calculations.

Estimated termination and retirement allowances and allowance for severance and pension benefits of the Company and its domestic consolidated subsidiaries as of March 31, 2001 and 2002 consisted of the following:

	Yen (millions)		U.S. Dollars (thousands)
	2001	**2002**	**2002**
Projected benefit obligation	¥444,473	**¥514,390**	**$3,896,894**
Less-Fair value of plan assets	(369,901)	**(356,571)**	**(2,701,296)**
Less-Unrecognized actuarial differences	—	**(89,789)**	**(680,220)**
Less-Unrecognized net transition obligation	(69,090)	**(59,220)**	**(448,636)**
Estimated termination and retirement allowances	¥ 5,482	**—**	**—**
Allowance for severance and pension benefits	—	**¥ 8,810**	**$ 66,742**

In addition, estimated termination and retirement allowances of ¥339 million as of March 31, 2001 and allowance for severance and pension benefits of ¥504 million ($3,819 thousand) as of March 31, 2002, were provided by certain overseas consolidated subsidiaries in conformity with generally accepted accounting principles and practices prevailing in the respective countries of domicile.

Expenses for severance and pension benefits of the Company and its domestic consolidated subsidiaries for the year ended March 31, 2002 consisted of the following:

	Yen (millions)	U.S. Dollars (thousands)
	2002	**2002**
Service costs, net of plan participants' contributions	**¥15,114**	**$114,500**
Interest costs on projected benefit obligation	**17,779**	**134,689**
Expected return on plan assets	**(20,345)**	**(154,129)**
Amortization of net transition obligation	**9,870**	**74,773**
Expenses for severance and pension benefits	**¥22,418**	**$169,833**

The discount rates used by the Company and its domestic consolidated subsidiaries were 4.0% and 3.2% for the years ended March 31, 2001 and 2002, respectively. The rate of expected return on plan assets used by the Company and its domestic consolidated subsidiaries for the year ended March 31, 2002 was 4.5%. The estimated amount of all retirement benefits to be paid at the future retirement date is allocated equally to each service year using the estimated number of total service years.

10. Segment Information

The Company and its consolidated subsidiaries operate in Consumer/Information Products business and Electronic Components business. Consumer/Information Products business includes audio-visual and communication equipment, home appliances and information equipment. Electronic Components business includes ICs, LCDs and other electronic components.

Information by business segment for the fiscal years ended March 31, 2001 and 2002 is as follows:

	Yen (millions)		U.S. Dollars (thousands)
	2001	**2002**	**2002**
Net Sales:			
Consumer/Information Products:			
Customers	¥1,283,852	**¥1,274,076**	**$ 9,652,091**
Intersegment	5,354	**5,663**	**42,901**
Total	1,289,206	**1,279,739**	**9,694,992**
Electronic Components:			
Customers	729,006	**529,722**	**4,013,045**
Intersegment	103,280	**95,986**	**727,167**
Total	832,286	**625,708**	**4,740,212**
Elimination	(108,634)	**(101,649)**	**(770,068)**
Consolidated	¥2,012,858	**¥1,803,798**	**$13,665,136**
Operating Income:			
Consumer/Information Products	¥ 30,718	**¥ 34,836**	**$ 263,909**
Electronic Components	75,292	**37,269**	**282,341**
Elimination	(97)	**1,480**	**11,212**
Consolidated	¥ 105,913	**¥ 73,585**	**$ 557,462**
Total Assets:			
Consumer/Information Products	¥ 712,360	**¥ 707,962**	**$ 5,363,349**
Electronic Components	752,233	**788,476**	**5,973,303**
Elimination and Corporate Assets	539,048	**470,471**	**3,564,174**
Consolidated	¥2,003,641	**¥1,966,909**	**$14,900,826**
Depreciation and Amortization:			
Consumer/Information Products	¥ 45,035	**¥ 46,701**	**$ 353,795**
Electronic Components	107,856	**87,622**	**663,803**
Elimination	(436)	**(376)**	**(2,848)**
Consolidated	¥ 152,455	**¥ 133,947**	**$ 1,014,750**
Capital Expenditures:			
Consumer/Information Products	¥ 40,843	**¥ 42,905**	**$ 325,038**
Electronic Components	138,593	**131,708**	**997,788**
Elimination	(545)	**(590)**	**(4,470)**
Consolidated	¥ 178,891	**¥ 174,023**	**$ 1,318,356**

Corporate assets as of March 31, 2001 and 2002 were ¥553,249 million and ¥484,068 million ($3,667,182 thousand), respectively, and were mainly comprised of the Company's cash and cash equivalents and investments in securities.

Effective in the year ended March 31, 2002, the Company and its domestic consolidated subsidiaries adopted the New Accounting Standard for employees' severance and pension plans. As compared with the previous method, operating income decreased by ¥1,568 million ($11,879 thousand) in the Consumer/Information Products segment and ¥983 million ($7,447 thousand) in the Electronic Components segment.

Information by geographic segment for the fiscal years ended March 31, 2001 and 2002 is as follows:

	Yen (millions)		U.S. Dollars (thousands)
	2001	**2002**	**2002**
Net Sales:			
Japan:			
Customers	¥1,358,709	**¥1,151,607**	**$ 8,724,295**
Intersegment	393,067	**360,506**	**2,731,106**
Total	1,751,776	**1,512,113**	**11,455,401**
The Americas:			
Customers	337,618	**340,403**	**2,578,811**
Intersegment	6,025	**7,028**	**53,242**
Total	343,643	**347,431**	**2,632,053**
Other:			
Customers	316,531	**311,788**	**2,362,030**
Intersegment	201,277	**182,456**	**1,382,243**
Total	517,808	**494,244**	**3,744,273**
Elimination	(600,369)	**(549,990)**	**(4,166,591)**
Consolidated	¥2,012,858	**¥1,803,798**	**$13,665,136**
Operating Income:			
Japan	¥ 86,303	**¥ 57,985**	**$ 439,280**
The Americas	6,968	**6,785**	**51,401**
Other	14,072	**9,163**	**69,417**
Elimination	(1,430)	**(348)**	**(2,636)**
Consolidated	¥ 105,913	**¥ 73,585**	**$ 557,462**
Total Assets:			
Japan	¥1,125,099	**¥1,158,665**	**$ 8,777,765**
The Americas	162,651	**146,526**	**1,110,046**
Other	231,380	**242,849**	**1,839,765**
Elimination and Corporate Assets	484,511	**418,869**	**3,173,250**
Consolidated	¥2,003,641	**¥1,966,909**	**$14,900,826**

Corporate assets as of March 31, 2001 and 2002 were ¥553,249 million and ¥484,068 million ($3,667,182 thousand), respectively, and were mainly comprised of the Company's cash and cash equivalents and investments in securities.
Effective in the year ended March 31, 2002, the Company and its domestic consolidated subsidiaries adopted the New Accounting Standard for employees' severance and pension plans. As compared with the previous method, operating income decreased by ¥2,551 million ($19,326 thousand) in Japan.

Overseas sales for the years ended March 31, 2001 and 2002 were as follows:

	Yen (millions)		U.S. Dollars (thousands)
	2001	**2002**	**2002**
Overseas sales:			
North America	¥ 377,062	**¥ 369,934**	**$ 2,802,531**
Asia	252,179	**225,017**	**1,704,674**
Europe	190,521	**188,840**	**1,430,606**
Other	43,321	**36,347**	**275,356**
Total	¥ 863,083	**¥ 820,138**	**$ 6,213,167**

Overseas sales were comprised of overseas subsidiaries' sales and the Company's and domestic subsidiaries' export sales to customers.

Independent Auditors' Report

To the Board of Directors of Sharp Corporation:

We have audited the accompanying consolidated balance sheets of Sharp Corporation (a Japanese corporation) and its consolidated subsidiaries as of March 31, 2001 and 2002, and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended, expressed in Japanese yen. Our audits were made in accordance with generally accepted auditing standards in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of Sharp Corporation and its consolidated subsidiaries as of March 31, 2001 and 2002, and the results of their operations and their cash flows for the years then ended, in conformity with generally accepted accounting principles in Japan (Note 1 (a)) applied on a consistent basis, except as noted in the following paragraph.

Sharp Corporation adopted the new Accounting Standards for Retirement Benefits (Note 1 (k)) effective April 1, 2001. In addition, a new accounting requirement for other securities with fair market value was applied effective April 1, 2001 under the Accounting Standards for Financial Instruments (Note 1 (e)), which was adopted in the previous year.

Also, in our opinion, the translated amounts in the accompanying consolidated financial statements translated into U.S. dollars have been computed on the basis set forth in Note 1 (a).

Asahi & Co.

Osaka, Japan

June 27, 2002

Corporate Information

Consolidated Subsidiaries

Domestic:
Sharp Electronics Marketing Corporation
Sharp Finance Corporation
Sharp System Products Co., Ltd.
Sharp Manufacturing Systems Corporation
Sharp Engineering Corporation
Sharp Document Systems Corporation
Sharp Amenity Systems Corporation
Sharp Niigata Electronics Corporation
Sharp Trading Corporation

Overseas:
Sharp Electronics Corporation (New Jersey, U.S.A.)
Sharp Laboratories of America, Inc. (Washington, U.S.A.)
Sharp Electronics Manufacturing Company of America, Inc. (California, U.S.A)
Sharp Electronics of Canada Ltd. (Ontario, Canada)
Sharp Electronica Mexico S.A. de C.V. (Baja California, Mexico)
Sharp Electronics (Europe) GmbH (Hamburg, Germany)
Sharp Electronics (U.K.) Ltd. (Manchester, U.K.)
Sharp Laboratories of Europe, Ltd. (Oxford, U.K.)
Sharp International Finance (U.K.) Plc. (Hertfordshire, U.K.)
Sharp Electronica España S.A. (Barcelona, Spain)
Sharp Electronics (Schweiz) AG (Dällikon, Switzerland)
Sharp Electronics (Nordic) AB (Bromma, Sweden)
Sharp Electronics Ges.M.B.H. (Wien, Austria)
Sharp Electronics France S.A. (Paris, France)
Sharp Manufacturing France S.A. (Soultz, France)
Sharp Electronics (Italia) S.p.A. (Milano, Italy)
Sharp Electronics Benelux B.V. (Houten, The Netherlands)
Sharp Electronics (Taiwan) Co., Ltd. (Kaohsiung, Taiwan)
Sharp Electronic Components (Taiwan) Corporation (Taipei, Taiwan)
Sharp Technology (Taiwan) Corporation (Taipei, Taiwan)
Sharp (Phils.) Corporation (Manila, Philippines)
Sharp-Roxy Sales (Singapore) Pte., Ltd. (Singapore)
Sharp Electronics (Singapore) Pte., Ltd. (Singapore)
Sharp Manufacturing Corporation (M) Sdn. Bhd. (Johor, Malaysia)
Sharp Electronics (Malaysia) Sdn. Bhd. (Selangor, Malaysia)
Sharp Appliances (Thailand) Ltd. (Chachoengsao, Thailand)
Sharp Software Development India Pvt. Ltd. (Bangalore, India)
Shanghai Sharp Electronics Co., Ltd. (Shanghai, China)
Sharp Office Equipments (Changshu) Co., Ltd. (Changshu, China)
Wuxi Sharp Electronic Components Co., Ltd. (Wuxi, China)
Nanjing Sharp Electronics Co., Ltd. (Nanjing, China)
P.T. Sharp Semiconductor Indonesia (West Java, Indonesia)
Sharp Corporation of Australia Pty. Ltd. (New South Wales, Australia)
Sharp Corporation of New Zealand Ltd. (Auckland, New Zealand)
Sharp Middle East FZE (Dubai, U.A.E.)

Principal Shareholders

The principal shareholders of Sharp Corporation appearing on the register of shareholders as of March 31, 2002 are as follows:

	Number of shares held	Percentage of total shares
Nippon Life Insurance Company	54,930,384	4.95%
UFJ Bank, Limited	51,071,526	4.60
The Fuji Bank, Limited	49,042,469	4.42
The Daiwa Bank, Limited	44,976,068	4.05
The Yasuda Mutual Life Insurance Company	40,000,000	3.60
The Dai-ichi Mutual Life Insurance Company	38,122,140	3.43
Japan Trustee Services Bank, Ltd (Trust Account)	32,983,000	2.97
The Mitsubishi Trust and Banking Corporation (Trust Account)	32,234,000	2.90
Sumitomo Life Insurance Company	30,663,000	2.76
Mitsui Sumitomo Insurance Company, Limited	30,658,022	2.76
Total	404,680,609	36.43%

Share Distribution

(As of March 31, 2002)

	Number of shareholders	Number of shares held	Percentage of total shares
Japanese financial institutions *	307	699,864,521	63.01%
Japanese securities companies	45	4,504,622	0.41
Other Japanese corporations	1,154	45,927,556	4.13
Foreign shareholders	653	181,068,317	16.30
Japanese individual shareholders	83,997	179,334,871	16.15
Total	86,156	1,110,699,887	100.00%

* A total of 102,573,000 shares in pension trust funds and investment trust are included in the number of shares held in Japanese financial institutions.(9.23%)

Investor Information

Sharp Corporation

22-22, Nagaike-cho, Abeno-ku, Osaka 545-8522, Japan
Phone: +81-6-6621-1221
http://www.sharp.co.jp/

<Investor Relations Office>

Osaka
Phone: +81-6-6625-3023
Fax: +81-6-6627-1759

Tokyo
8, Ichigaya, Hachiman-cho, Shinjuku-ku, Tokyo 162-8408, Japan
Phone: +81-3-3260-1289
Fax: +81-3-3260-1822

< Japanese Stock Exchange Listings >

Tokyo, Osaka, Nagoya, Fukuoka, Sapporo

< Overseas Stock Exchange Listings >

Paris, Luxembourg, Swiss

< Transfer Agent (Business Handling Place) >

The Mizuho Trust & Banking Co., Ltd.
Osaka Branch Office of Transfer Agency Department
6-13, Kitahama 3-chome, Chuo-ku, Osaka 541-0041, Japan

Printed on recycled paper